

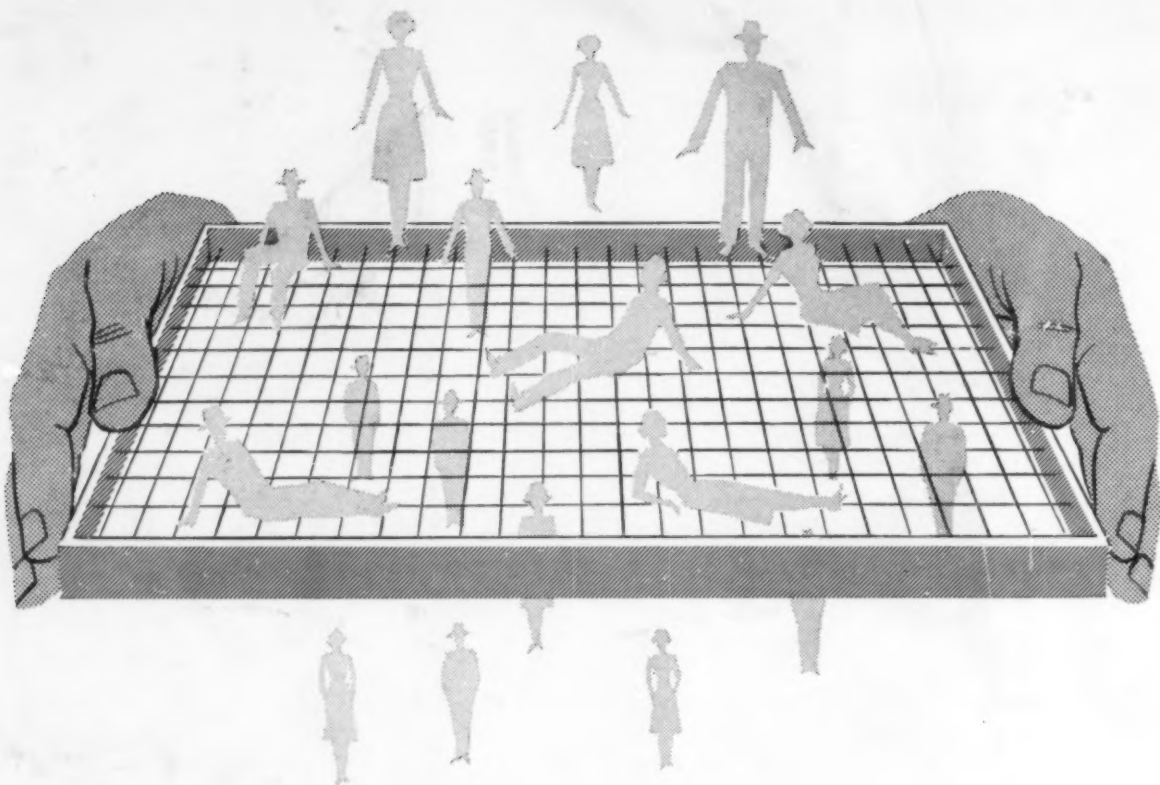


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NOVEMBER 1954

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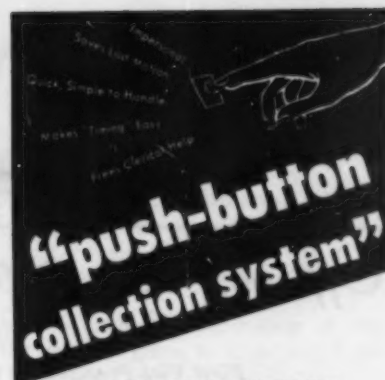
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"Oh, No, Not That Again"

George A. Scott

**President and General Manager, Walker-Scott Company
San Diego, California**

(An address given at the 40th Annual International Consumer Credit Conference, San Francisco, California, July 20, 1954)

SOCRATES was a very wise man who went about giving advice and the people poisoned him. Now, what has that got to do with my talk "Oh, No, Not That Again"? I refused to allow this conference to pay any part of my expenses. A group of ladies visited Eleanor Roosevelt, when she was the first lady, for tea in the White House. As the time came to pass the tea, one of the ladies refused to take it because she said she had read in the book of etiquette that it is not proper to take tea and still talk about the people from whom you take the tea.

To begin with, I did not ask to come here and in addition you are not paying my expenses, therefore, I feel that I am free to say the things I would like to say which may seem to be somewhat critical. I remember that it is much easier to be critical than to be correct and if you will be good enough to remember that as I go along, maybe you will not find me quite so difficult in respect to your reaction to the things I have to say.

A man who had a good opinion of his own ability, so much so that he thought he could do anything better than anyone else, was once taught a very good lesson. He was standing in front of a taxidermist shop in the window of which there was an owl which attracted quite a lot of sightseers. Anxious to display his knowledge, he said with a pompous air, "Well, if I could not stuff an owl any better than that I would quit the business. The head is not right. The poise of the body is not right. The feathers are not on right. And the feet are certainly not placed right." Before he could finish the owl turned his head and winked at him. The crowd laughed and the critic moved on.

I am going to talk about "Oh, No, Not That Again." I am going to keep saying it many times and after a while maybe you will catch the point. I have attended many conventions and the talks usually fall into a certain pattern. Here are the things that occurred to me when I received this invitation which I was happy to accept: Shall I talk politics? Shall I talk shop? Shall I work in the atom bomb? Shall I attack sin? Shall I speak of prayers and God? Shall I talk of recession and recovery? Shall I even talk about credit? And to all of that I can hear you say "Oh, No, Not That Again."

I want to make another point clear. I think it is important to tell you that I operate a business with something over ten million dollars in sales and that I opened that store 18 years ago. They say it is bad for a speaker to be apologetic or to talk about himself. I think that in light of the things I have chosen to speak about, it is important for you to be patient with me. I am going to

show you some of your own stuff from some of your conferences and then you are going to know why I said "Oh, No, Not That Again."

Let me take us back a little while and see how far we can get off the track even at conventions. Here is a report of a credit convention held 14 months ago and with this great topic: "Thorough screening of credit risks stressed as predicted that country was going on an economic slide." Another convention, "Chicago stores to stem their credit losses—assails the consumer bankruptcy moves in this country of ours." Here is another one at a credit convention: "Department stores held trailing in their potential in 1953. Dark outlook is predicted and little opportunity for rise in business in the next five years." Another one: "Time for caution as underconsumption theory reappears. Great address given at credit convention pointing up how underconsumption is under way in our country and how it is likely to continue for over a period of over five years."

The Things That Were So a Year Ago

We do not want any more of that again; do we? Is that being unkind to point out the things that were so a year ago? Let us listen to yourselves now. Here we are now in the retail business. And let us have more of this again. Here are the guys that really give leadership in this country of ours. Too many of us seem willing to follow the men who, with all their caution and all their brilliance and all their statistics, nevertheless, in my book, stand in the way of those of us who really believe in our country and really believe in the profession and the business we are in. Here are some of our own people. Those were all the experts to fill the program and tell us how to point out the dire ways, but where was a bunch of men from the retail business who got up to be counted for the things they believed? Here is one sitting on the platform. He is Henry C. Alexander, President of the National Retail Credit Association, who said, "Wider credit grants urged," 14 months ago.

The so-called experts were the ones who thought they had all the answers. This is what a man said who sells the goods: "A charge account sales rise is held a healthy sign." This was said 11 months ago. "Strong credit selling seems vital in weathering slump," Mr. Brown of the Brown House, Stockton, California, told the credit and controllers group. "Credit sales held the market backbone," said Mr. Deach, President of Commercial Investment Trust. In the midst of a lot of other people telling us "Oh, No, Not That Again," Fred Lazarus, President of the Federated Department Stores, advises us definitely that we have to be counted against too tight a credit policy. We want more of that again. "Public

common sense has nipped the recession," says a leading credit manager.

Now the only thing wrong with this is that they do not give his name. When a man who has had that much sense to say all those things in the midst of all the experts, the poor old retailers are the ones that I am putting in a plug for now. It is too bad he did not get his name mentioned. And there is the hotel association in this nation of ours banded together to grant some two millions of dollars of credit to its customers. In addition, the Pan American Airways have established a better plan for instalment credit for its customers so that they may enjoy traveling all over the world.

My point is, then, that we do not want any more of that first bunch of stuff and we want a few crackpots like me who run a business, stand up and put their dough on the line and not out of economics and charts and all that sort of things, important as they are, but point up the way to sell more goods to our customers. Here is the credit pitch I said I was going to talk about and I certainly can hear you say "Oh, No, Not That Again." Strangely enough, it would seem to a tired old merchant that credit associations and conferences set out to prove that we should sell less.

Ways and Means Not to Sell Goods

This story will prove my point. A woman from the hill country appeared before the local judge complaining that her husband made a murderous attack on her with a large pair of scissors. "Judge," she cried, "that man rushed at me and slashed my face to ribbons." The judge looked at her face on which appeared not the slightest mark of conflict. "When did you say this happened?" he inquired. "Only last night, Judge," she said. "But I do not see any marks on your face." "Marks," roared the woman, "what do I care about marks? I have got witnesses."

I have got witnesses who are in the business of selling and who hold conferences to find ways and means not to sell goods. Let me talk about the agenda for this conference. Here are the items on your agenda which, to a man who is in the business of selling merchandise, seem that we do not have much time to attend to the business of selling our customers. As I read, and as I listened to the panel with my critical view, it did not seem that there was anyone here that was representing the customer or the customer's viewpoint. Here are some of the matters on your agenda, "Debt management," "A realistic business outlook," "Our credit problems," "How to control consumer finance," "The problems of department store credit departments," and "The credit manager, the man of many coats."

It seems to me that in my critical view we have a scared-rabbit approach. I think that credit granters need to give up the eleventh commandment "Thou shall not get caught." You have an eleventh commandment to the guy who is on the selling side of the business who has full appreciation of the value of credit and its place in it. I think you should get rid of "Thou shall not get caught." Too many of you approach our customers with that thing. Too often credit granters look to security and not enough look ahead to adventure and venture.

I think we need to do a little more of crediting the

customer that she is honest rather than just the constant granting of credit to her. Listening to this three-step approach a moment ago was highly encouraging, but in my book, running a store, thinking that I am the boss and that I can tell the credit department how to do things, I have to stand up here and admit to you that I sometimes think the credit department gives the customer very little credit. These are tough words. You are not going to like me for it. Many of you think I am wrong but maybe just the saying of it might help. I think also that in this day when we hear so much about colonialism in the world and we find so much of it in disfavor, and all right-thinking men (especially in this country and those of us who were born elsewhere) have a high regard and high appreciation for the elimination of colonialism in this world—I think you need to have me say that as a seller of goods, those of us who sell have the feeling that you, in the credit business, have come up against the same sort of thing in the world of credit. I really think that there is colonialism in credit.

You cannot keep on forcing the credit customer to do credit business your way. You will remember that Henry Ford said that the public could have any color car they wanted so long as it was black. And I think we are, in this changing era of ours, about to have a customer revolution and I will tell you who is going to join up with them. I will tell you who is the fifth column against you who are granting credit and that is *we who sell the goods*. We are going to join with the customers, ourselves on the selling floor and we are going to bring about the elimination of what we call colonialism in credit. I am critical I realize.

This was written in 1862 about credit and maybe it still applies today: "Credit, my boy, is a beautiful thing. It is peculiar to this country of America. It first breaks out in the mouth and then extends to the heart causing the latter to swell." When we have these credit conferences we want to talk about how to do credit business. The saying continues, "It goes raging on until it reaches into the customer's pocket when it suddenly disappears leaving the customer very indifferent and ultraconservative." We seem to have a way sometimes, when we make a credit sale, to cause the desire to disappear. These are more tough words from us who sell goods—and I am going to try to prove it.

Some of Us Are at War With Our Customers

At the beginning of the last war the officer in charge of a British post, deep in the heart of Africa, received a wireless message from his superior officer saying, "War declared, arrest all the enemy aliens in your district." With commendable promptness he sent this reply, "Have arrested seven Germans, three Belgians, two Frenchmen, two Italians, an Austrian and an American. Will you please say with whom we are at war?" My point is that sometimes, in my mood to be critical, I am hoping that I will be helpful. I sometimes wonder if our credit departments know with whom they are at war. Sometimes we who sell the goods think that you are at war with our customers.

I never heard or read so many topics at one conference that seemed to indicate that credit associations must surely meet to devise ways not to do credit business.

Please then, I beg of you, "Not that again," in the credit business. A humorist once wrote "I wish that I knew where I was going to die." "Well, why?" asked a friend. He replied "Because I would never go near the place."

Why is it that credit folks often are without honor in their own country? They seem to set out to prove themselves wrong. He would rather say "I am glad it did not happen. It was a wee bit shaky prospective account," rather than "I told you so," after the customer bought less merchandise for cash. In my roundabout unkind way I am trying to say to you that I am enlarging and expanding and am being a little bit ridiculous but I am trying to make a point. I think you will have to realize and I wish to advocate to you that you must look to the day in the department store business when we can finance and when we want to have, as was advocated here, in a lesser degree was up to 75 per cent of our business on credit.

Here is how the seller looks at it. And here are the three ages of man which may make the point. First it was the little red wagon age. Then he gets the redhead age. And then he has the red necktie age. Number three is the idea when he sells himself as he was in number two. Now, if you sell goods, we who sell have to talk the other fellow's language. That is why I have gone to such extremes to make more of a point which is not wholly true. If you had any idea that you wanted to sell to all the world, would that be a tough job? Our statistical sharks tell us that there are no less than 66 languages, each of which is spoken by five million or more people, not to mention the thousands of dialects that these 66 languages are broken into. I should also mention the other thousands of languages spoken by less than five million people. All of which helps to prove the importance of credit language.

Credit Has a Language All Its Own

I believe, as a seller, that credit has a language all its own. I suggest that we get it quick and pronto into the language of the seller. Please, put it into the language of the seller. In the lobby of a large New York office building are two candy booths selling identical candies and managed by two equally pleasant girls. Yet one has twice as many customers as the other. I asked the more successful girl what her magic formula was. "It is all in the scooping," she said. "An indifferent scoop always puts too much candy on the scales. This means you have to take some of the candy away. The customer feels cheated. I am always careful to scoop too little the first time and then add a little more. The customer always thinks he is getting a bonus. It is amazing how business has increased." I would like to suggest in handling the customer in the credit booth that we adopt the techniques of selling, and that we remember that we are a part of the sale uncompleted.

You should try to develop those techniques I have tried to demonstrate here by the extra scoop in the credit department. Let the scale balance just a little bit in favor of the customer particularly in these days of change in an orderly economy. I think that we need to remember that most folks are good and I think that more bosses in stores should remember that the credit man or woman, the credit interviewer, and the person who actually grants

credit should be given a little right to lean over just a little bit and grant an account where it is just a wee bit shaky—the extra scoop. I say to you as a seller of goods—I tell whether you believe it or not, and you think not because you think in statistics all the time and the percentage of losses but I am telling you as a guy who must sell goods—the customer is a lot more appreciative than you think and the extra scoop, in her case, is to tell her, "It is just not extra right that I give this to you but I believe in you. I know you want to buy goods in this store and I am putting in the extra scoop for you."

I probably insult your intelligence as I say it but I do not know how to say it any differently. I do not know how to say it in some great big words. I am only just a seller of goods. I would like to ask now, "Is there a customer in this house?" (A lady walks to the platform.) This is only a gag but I want to make a point out of it. Get a customer on your program some time. Now I want to tell you what *we* do with her. This is what we pin on him literally each time—"My hero." (He then pins a large button on the lady reading "My hero.") Wasn't that corny to do that little gag? No. I am saying to you that I would like to be the spokesman and the advocate for the customer.

I would like to take us back out of all of our charts, our graphs, our machines, and all the other things we have to do to help us do a better job today to one other thing. I would like to take us back to the very fundamentals. Nothing that I tell you is new. I purposely stayed away from that. I am not going to try to give a talk where I am supposed to come up with some high-sounding and far-reaching thing. When I was growing up in Canada, my mother paid her grocery bill every Saturday night. In those days the grocer always gave us something when we paid our bill. He gave us something that I would like to suggest that we who wait on customers at all points—credit office or elsewhere—look for the Saturday night symbol. (At this point, Mr. Scott's assistants threw bags of candy kisses to the audience.) Everything I do is corny. I would like to suggest that, in all sincerity, this be a symbol, and that we need to be less big shot, less complicated and when we say smile, what we actually mean is that we have in our own little personal ways, even in the big store, of getting back to the old Saturday night symbol. I still remember that grocer. And I think I definitely would want to do business there. So, let us be corny. Let us go back to the Saturday night symbols in our own way as we do credit business.

Let me tell you something else I would like to suggest as a seller of goods, and you will say "Oh, No, Not That Again." But this has to do with the way in which we advertise credit. I would like to suggest that our credit ads might have a new pitch. Maybe you should have an advertising man on this program. Let him get a little lesson on how to write advertising so that credit is made to seem good for the audience and have less of the privilege aspect to it. Here is a poem written by a man who read one of our credit ads:

I see that you spent quite a big wad of dough,
To tell me the things you think I should know,
How your plant is so big, so fine and so strong,
And your founder had whiskers so handsomely long.

So he started the business in old '92,
 How tremendously interesting that is to you,
 He built up the thing with the blood of his life,
 I'll just run home like mad and tell that to my wife.
 Your machinery is modern and oh, so complete,
 Your reputation is flawless, your workers so neat,
 Your motto is quality, capital "Q,"
 No wonder I am tired of your and of you.
 So tell me quick and tell me true,
 Or else, my love, to h--- with you,
 Less what this credit came to be,
 And more what the d--- thing does for me.
 Will it save me money, or time, or work,
 Or hike up my pay with a welcome jerk,
 What drudgery, worry, or loss will it cut,
 Can it yank me out of a personal rut?
 Perhaps it can make my appearance so swell,
 That will make my telephone calls wear out the bell,
 And thus it might win me a lot of fine friends,
 One never knows where such things end.
 I wonder how much it could do for my health,
 Could credit show me the way to acquire wealth,
 Better things for myself, for the kids, and the wife,
 How to quit work someday early in life.
 So tell me quick and tell me true,
 Or else, my love, to h--- with you,
 Less of how this credit came to be,
 And more what this d--- thing does for me.

I have been panning the credit man and it is about time I turned to a little word of kindness to you. In our business, I have talked before my people all the time. I have done this for the past 18 years and I do not care if John Wanamaker, 50 years ago, started the old hackneyed slogan, "The customer is always right." I have waited on too many of them and I know this is not so. I have yet to have one of our people be nasty with a customer and say, "I do not have to be right and nice to you, this is my turn."

I have been unable to understand why we take such pride in advertising the fact that we do such an excellent job of personnel work and hire the most intelligent people and train them in the best way and stand up and insult their intelligence by telling them that the customer is always right. She is not. What has that got to do with you? This is a few comments about the always-right customer. I am quoting from our credit man who made

the following statement, "Too many people wanting credit who boast of their family tree came from the shady side." "Nowadays when a person speaks of his broker when he applies for credit, we wonder if he means stock or pawn." "Please remember, only pawn brokers, like customers, have no revealing qualities." This then, in all fairness to the credit interviewer might be a good thing for the wall of a credit office, "Don't believe only the marks of a heel on the sands of time or in our credit files." Much of the attitude of credit and credit granting which I have enlarged upon is not the fault of the people whom I have been seemingly attacking, and that is you.

Now I am off the hook and I am going to put it on the people who are not here and that is the bosses. I think that the one fault, however, with those of us who operate credit is that we run our credit department to suit the boss. And the boss is the customer who should be remembered. Bosses usually never go out and interview customers and they hardly ever go down and wait on customers. Usually we find that you let the boss get into trouble and get to the place where he is hard to get along with in respect to how you run your credit department. You find yourself advocates of too tight credit to people of this day because you have forgotten to remember that what man is not up on, he is usually down on.

I think that those of us who run credit too often keep it surrounded with too much mystery. There was a man who ran a department store and he said he wanted to operate on the basis of the Bible. As he was going through the store one day he noticed a salesman selling a woman yardage when apparently she wanted some coating. He had taken down practically the entire stock for her. He noticed that when the transaction was finished the salesman, in desperation, had sold the woman something that was not exactly coating. It was suiting. When this transaction was over he went up to the salesman and said "I thought it was understood that every

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transaction was to be on the basis of the teachings of the Bible?" The salesman said "I did it on the basis of the teachings of the Bible." "Did you know the customer?" "No, I did not. She was a stranger and I took her in."

I agree with you that, as Herbert Bayard Swope once said "I cannot give you the formula for success but I can give you the formula for failure and that is, *try to please everybody*." I realize that you cannot please everybody in the credit field—the bosses and the customers too. And my plea, as a seller of goods, is that you should please the customer. There are over 150 million of us in this wonderful country of ours and I think it is glorious to remember that over 100 million in 1953 used installment credit. I think you need to remember that you are very vital to this country of ours and that we need to remember that when 100 million people use something that you deal with, it is pretty good. I am not talking about easy credit, poor credit attainment, or any level of credit debt owed. I think that the statisticians can tell us about it, but I think that we who are on the selling end of it, need to remember that there is a difference between the absolute bad credit risk that we try to force down your throat sometimes to make a sale. We, who sell goods and who are so smart, should have an appreciation of your side too. I must point out that the customer needs to be remembered in the beginning. If I am so smart, what is our credit granting policy in the store in which I preside? We believed that during the time the experts were making those speeches 14 months ago we were just young and simple enough that the consumer's credit habits had an important influence on the total economy of our business and this time a year ago, many credit granters were calling for more restricted credit granting policies. We had confidence in the ability of the public to properly arrange their credit affairs and we did not share this view.

Our experience this year reaffirms our confidence in the collective capacity of our customers to measure their own credit requirements better than can be done by any artificial regulations. Also, our credit customers are paying for their credit purchases at a slightly more rapid rate than last year while, at the same time, maintaining their purchases in our business. Indications are also available that they will continue to add to their savings. In San Diego, the savings of individuals in the banks is the largest per capita of any city in the United States. This combination of circumstances is favorable for a high level of purchases in the months ahead.

Majority of All Credit Paid on Time

We now see that 98 per cent of all credit in this country is paid on time. It is important for me to say that there are those who sell goods who sometimes get too far removed from other aspects of the business. It is easier to be critical than to be correct. He who has the heart to help has the right to criticize. Why do I say that? I mean business in respect to the full appreciation on my part of the value of good credit and the new heights of your profession. I have been very critical, therefore, Mr. President, and because I sincerely believe that you are in a high and honorable profession which many of you should hold in high regard and should do something about it, therefore, in order that its leaders might not come

here and just say things and do nothing about it, we would like to present to this Association \$5,000.00 to be given to an individual at the rate of \$500.00 per year for ten years for the best idea and the best performance by individuals to raise the standards of the fine profession of credit granting that there might be something that all the world could see and that we could all work toward.

If we come here with our criticism we also come here with our money to say we would like to put it on the line and we would like to be more than just critical of the things we do. Will you then consider how it will be done? Will you accept it in the spirit in which it is done, not to show off, but rather to be true to myself? If I am willing to criticize, then give me the right to help. Looking ahead, predictions of things to come, an ability to see things through other eyes and the ability to be interested in the other man's viewpoint and his ideas about things, right or wrong, no matter how you say them, they may seem unkind at the moment, the ability to see them and at least seem to be interested in them, is a very great quality.

Some People Seem Interested Yet Are Fast Asleep

I would like to demonstrate it to you as I pass out my next souvenir. I would like to show you how it is possible to at least seem to be interested in the things that the other man has a concern about and yet maybe you are not really interested at all. (Mr. Scott's assistants then passed out some glasses among the audience known as "refuge specs." They appear as though the wearer is actually awake yet he can sleep behind them in conferences and dull meetings.) The point is that you can seem very much interested in what is going on and yet you can actually be fast asleep behind those glasses. I think in the world of business that we who sell, and those of you who grant credit, have to be willing to seem halfway interested in each other's side of the picture. I also think that we have to seem to be interested in those who predict dire days ahead for us in this world and yet we have to be alert to what they have to say and yet believe in ourselves.

I want to finish with all the points that I said I would not talk about again but I am talking about all of them. In the challenge in a so-called keynote speech, I would like to talk about the atom bomb. This I believe with all my heart. It was my privilege for me to be President of the Council of Churches in San Diego and speak about every third Sunday. To date, I have spoken in 37 different denominational pulpits. I have learned to have a new growth to my faith as I came close to men and women in that hour. This, then, is what I would say to you who grant credit to people in this day who seem to be developing, to a very large extent, the feeling that we must live while we can live. Unconsciously, in all of our beings today, there is something that is hanging over us, even greater than the atom bomb. But it has to do with credit. And I suppose it has to do with our attitude toward it.

I would like to suggest the following thoughts to you: that with all the false philosophies and the world-shaking weapons and the unwelcomed world events added to all our other perennial and personal problems, men's fears are multiplied and men's hearts fail them and it is then apparent that we need a tonic for our times. Whatever

else may go into the making of this much needed tonic, it must be full of faith—faith in the future, and faith in ourselves, faith in God, and in life's ultimate objectives. To be effective, our faith must bring us to face this fact: that there just is not enough time in a man's life to worry about what could or might happen. The things that could happen are so numerous and the chances of choosing the right worry at the right time are so slight that attempting to worry about the possibilities is not even a good gamble.

Therefore, much of what actually does happen, happens too fast for worry, but now supposing the worst were to happen. Suppose that some brilliant and stupid mortal were to blow up the whole world? I believe that, as Thomas Carlyle once observed, the crash of the entire solar and stellar system could kill us only once. And we take our chances often every day of being killed in many ways. Another fact for our faith is that there are limitations to what man's dangerous mixture of brilliance and stupidity will be permitted, by Almighty God, to do.

I recommend to you who grant credit to remember that there is a universal law and that the Administrator of all things will not permit his ultimate purpose to be set aside by any mere man. No matter when, or how, we should leave this life, our ultimate aim in mortal expectancy would not be essentially different from what it is and always has been. We would still pursue our ways where in His mercy and wisdom and purpose, the Father of all of us is pleased to take us. The intelligence and the power of the Creator will still keep creation on its course.

And so as a tonic for our times, I suggest that we get down to work and down to some sober sanity with a lot of repentance for the past and faith in our future and see what we can do to hold the world together in our time, for this is still the very best place for any of you to have ever remembered living in. I said I would make a pitch for you. This I also believe and I believe it is good for all of us to believe. As I look at you and as you look at me, and with all the odd and peculiar things I have said and done, surely through it all you have sensed some note of sincerity about it and I am truly trying to get a message over to you that would give you a keynote of not only this meeting but of many meetings in life and many things that challenge our life, and therefore I say to you as I look into your eyes, I believe in you. You whom I have never met, you whose lives have never touched mine, I believe in you because I believe that mere man cannot set aside God's ultimate purpose for each of us. And in your business, I say this to you, I recommend and remind you that you are a part of God's unrepeatable handiwork and no one with your combination of capabilities has ever lived before or will ever live after you. That you can do a work for your profession that no one else can do and it will never be done unless you do it and I suggest to myself and to you that we begin where we are to do these things for our profession and that we speak out kindly and unkindly and that we begin to live victoriously.

Here then, in that sense, and in that vein is my closing pitch to you. What do you want—the world tied up in a red ribbon? I overheard a man say this to his companion the other day. The two men moved away before I could hear the answer, but I kept thinking of those

words all day, the world tied up in a red ribbon. That is what a lot of folks want today. Of course we do not all want the same thing. The teen-ager wants fun and popularity. The career girl is straining to do such an outstanding job that when the next promotion comes along she will be the logical person for the position. She is interested in men. She hopes that they will be reasonable and understand that her career really counts for something. The young man is battling every day too for a place in the ladder of success. Competition is keen but he is having a good time climbing the ladder. His world is financial success and the hope of fame. The young married couple is struggling for social and financial security. A happy family and assurance for educational opportunities for the children often become the most important things in their life.

Older persons want many things, love, comfort and security, riches and fame and social prestige and freedom. They will fight to get what they want. Most people use fair means; however, some resort to foul. But they never give up. It is a struggle through the years to get a little ahead of the other person, to ride a little higher on the social ladder but too many of us have forgotten the words of Jesus "What has a man profited if he has gained the whole world and loses his soul?"

The World Is an Empty Thing to Some People

For some people the world has gained to the loss of personal integrity and honesty and sacrifice of Christian principles. To them, surely then the world must be an empty thing. They do not even have credit. They have found that the happiness they sought is not in riches and success. How different then for the man who accepts the golden rule. It makes no difference whether or not he possesses those worldly advantages others seek so avidly. He has joy and peace and satisfaction which God had promised to all of those graces and positions in society which abide in him.

The man who puts God first and gives him credit is not trying to gain the world. He already has it tied up in a red ribbon. There was absolutely no distinction to Jesus between life and religion. He saw religious lessons in the jeweler selling his stock to buy pearls of great price; in the woman making bread; and in the fisherman pulling in his net. He carried a religion to the wedding feast; to the market place; to the stalls of barter and trade; even as I dare to do today. One's religion according to Jesus was not confined to the Temple. It could be revealed in going the second mile in the credit booth and when a Roman courier demanded the first, in giving the measure of wheat brimful and running over to customers who come to buy, and giving bread to the hungry and water to the thirsty and clothing to the naked, and friendliness to the lonely, in picking up the robber-beaten tourist by the roadside, then one's attitude all the time toward all mankind. The creation then is the thing I hope you will never stop me from saying again and that you will never say "Oh, No, Not That Again," is the greatest thing I would like to leave with you "Thou shalt love the Lord thy God with all thy heart and soul and mind and thy neighbor as thyself." If this you do then your world will be wrapped in a red ribbon and all credit will be yours if this you will believe.

The Effect of Consumer Credit On Our National Economy

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(An address given at the 40th Annual International Consumer Credit Conference, San Francisco, July 21, 1954)



CONSUMER CREDIT has played a significant role in the growth of many of our major industries, in the expansion of our trade areas, in the broadening of our markets, in our improved standards of living, and has even been a major factor in our labor market. Since early colonial days it will be noted that first importing merchants and later manufacturers and processors found consumer credit and/or instalment credit to be an important factor in the movement of goods.

In considering the subject, it would probably be well to call attention to the fact that our interpretation of the meaning of consumer credit, as well as its use, has changed materially within the past few years. Early economists condemned consumer credit because, in their opinion, it dissipated wealth. Their contention was that such credit was, essentially, consumptive or spendthrift credit. According to their writings, they contended that consumer credit facilitated the consumption of capital in extravagant living, and it contributed nothing to production.

On the other hand, they felt that producer credit was socially desirable because it was productive. It put capital in the hands of those who would use it for the purpose of creating additional wealth and it facilitated the preservation of capital in the form of factories, machinery, raw materials, and other goods which contributed to production. As a consequence, it was felt to be all right to finance railroads and utilities on a term basis, but not the consumer for his needs.

Whether this comparison was ever appropriate is of little interest today, because it is no longer an accurate generalization. Business enterprises, it is true, use credit primarily to finance acquisition of useful assets, but, by the same token, it is universally recognized today that consumer credit may be used to acquire durable goods, which become a part of the national wealth; while producer credit may be used for purposes that contribute nothing to the total stock of useful goods.

The confusion that arises from the varied meanings given to the word consumption is probably the reason that some believed (and no doubt still believe) that consumer credit is socially wasteful. It is generally recognized now, that consumption cannot be measured by the delivery of goods into the hands of the consumer; and neither can it be measured statistically by retail sales, since consumption is literally the process by which goods are used up or their values destroyed.

The movement of goods into the hands of the ultimate consumer represents only the initiation of the process of consumption. There is a time element in all forms of consumption. It may be a few minutes for certain types

of amusements; several hours for food; several days for household supplies; several months for some articles of clothing; several years for automobiles and appliances; and several *decades* for some types of household furniture. It is this time lag between the purchase and the consumption of goods that has done so much to correct the earlier impression that buying consumer goods on credit was immoral.

This aggregate lag between the delivery and their consumption of goods has been increased progressively by the growth in the proportion of expenditures for durable goods in the consumer's budgets. This increase in the percentage of the consumer's disposable income going into the purchase of durable and semi-durable goods has resulted in an increase in the capital wealth of the consumer because the normal life of such durable or semi-durable goods extends much beyond the usual period of instalment purchase, and, as a result, improves living standards.

Four Classes of Consumer Credit Agencies

We have developed in our present-day more complicated economy, *four* general classes of consumer credit agencies:

1. *Retail merchants who sell goods on credit.* In this classification come: clothing stores, department stores, drugstores, dry goods stores, food stores, appliance stores, and radio and television stores; also jewelry stores and others of similar type.

2. *Service creditors who render consumer's services on credit.* These would include: physicians, dentists, hospitals, undertakers, public utilities, laundry and dry-cleaning establishments.

3. *Intermediary financing agencies, which buy contracts arising out of credit sales of goods or services.* In this class would fall: sales finance companies and banks (insofar as they purchase contracts) and manufacturing companies where they have their own arrangements for the discounting of contracts for their dealers or the extension of credit to them.

4. *Cash lending agencies that lend money to consumers.* The primary classes in this category are: banks, credit unions, small loan companies, industrial banking companies, pawnbrokers, unregulated lenders, and others of less importance.

Since the amortized mortgage loans have become the general plan of repayment of mortgage debt, we should, perhaps, even include mutual savings banks, building and loan associations, and commercial banks, insofar as they make amortized loans on real estate, since such monthly payments obviously affect the consumer's current income and expenditures for debt retirement. These repayments on mortgages last year amounted to \$12.5 billion. This

includes prepayment of instalments as well as prepayment of mortgages in full. So, it becomes obvious that the early conception of consumer credit has, in reality, become what is more aptly described as "instalment credit."

Each of these four classes of consumer credit granters plays an important part in our economy, and overextension in one category obviously adversely affects the others. On the other hand, any sharp contraction of any one of these general classes will, in turn, make itself felt in the other segments of our economy; so, the differences in the social usefulness of productive and consumptive credit becomes even more vague when the question of economic stability is considered.

As a consequence, it is impossible, under present-day conditions, to have any general liquidation of credit without severe repercussions upon the economic system as a whole. Certainly, even the use of cash credit to finance a necessary surgical operation or to sustain the family of an unemployed wage earner, or to consolidate debts previously incurred, may yield benefits both to the borrower and to the whole economy.

The Role of Instalment Credit in Our Economy

In our present-day economy, consumer or instalment credit has become an indispensable part of the process of converting raw materials into a finished product, and the transfer of that finished product from the manufacturer or processor through the distributor or wholesaler to the dealer or merchant, and ultimately, into the hands of the consumer. If any portion of this process slows up or breaks down, we find ourselves in trouble.

If the consumer, for some reason, ceases to buy a finished product in as large quantities as previously (whether the product represents soft goods or durable or semi-durable goods) the dealer or merchant finds his inventory of goods is not moving, so he cancels orders from the manufacturer or distributor, who, in turn, cancels or reduces his orders with the manufacturer or processor. The manufacturer or processor, in turn, slows down his purchases of raw materials and the end result is: unemployment in our mines, on our farms, in our forests, in our mills, or factories, and even in our transportation systems, to name just a few segments of our economy that are immediately affected. So, the whole process starts and ends with the consumer.

A large segment of our consumer market is dependent upon the consumer's use of credit extended against future earning power, to enable him to buy from the retailer in the quantities necessary to keep the wheels of commerce turning. On the other hand, the consumer may curtail his purchases for any number of reasons:

1. Uncertainty as to his job security or income stability.
2. Because he had already obligated himself for as much in the way of committed monthly obligations as he could conveniently handle.
3. Because he had not been sufficiently sold on the idea of replacing still serviceable consumer goods or on the need and desirability of making such a purchase.
4. Because of a restriction of credit—either as to down-payment requirements, or as to monthly payments too large for his budget.

There has been some fear, in recent months, that credit might be too severely curtailed. A recognition of its

effect upon our economy is evidenced by the remarks of J. L. Robertson, of the Federal Reserve Board, before the National Instalment Credit Conference in Chicago in March, when he said, "Excessive contraction of instalment credit in times like these, is at least as dangerous as expansion at an unsustainable rate in boom times. I am not recommending attempts to maintain record volume through abandonment of sound terms of payment; however, we must guard against the worship of safety to such a degree that it degenerates into paralysis."

At about the same time automobile dealers were saying that they feared their sales would be severely restricted if credit terms were tightened. They estimated that 5.25 million passenger cars could be sold if credit were available to finance them; but, they said: "If credit tightens, sales may slump to the three million mark."

The arrival of consumer or instalment credit to its present position of importance in our economy, however, did not happen overnight, and, in order that we may better understand this evolution, it might be well to sketch some of the early beginnings and explain how it has grown in volume and public acceptance. The extension of consumer credit in the United States coincides with the beginning of the modern business enterprise. Even though, in colonial days, America was primarily in the production of raw material with most equipment and manufactured goods being imported from abroad, it is noted that, at the beginning of the 19th century, importing merchants were advertising credit terms, which it was found necessary to provide, in order to move out the volume of goods being imported.

In 1807 we find the first furniture house extending instalment credit and this practice soon spread among all furniture dealers. In 1850, the Singer Sewing Machine Company also found it necessary to institute an instalment sales program, calling for terms of \$1.00 down and 50 cents per week. With increased production, and competition for the available market, terms on various other types of commodities were extended and down payments were reduced by merchants to permit purchases by wage earners with small incomes. So it is obvious that even in this early period of our history, consumer credit was a necessary adjunct to the movement of goods in volume. It was not until 1904, however, that the first finance company was organized. Their principal business was the purchase of contracts covering the sale of pianos.

Automobiles Were First Sold For Cash

When automobiles first appeared, they were sold entirely for cash to the few people who could afford the luxury of owning one, and the dealers had to pay cash to the factories for cars shipped to them. This procedure greatly limited their purchase, because many dealers were financially unable to pay for the cars before resale. Bankers were, for the most part, hesitant about recognizing this new form of transportation as anything except a passing fancy, and it was not until 1913, when, encouraged by the success of other instalment finance companies who had been financing furniture, pianos and musical instruments successfully for some years, that a group of men in San Francisco worked out an automobile finance plan that functioned fairly well until World War I. As a result of the success of this first finance plan, others were encouraged to enter the field, and, by 1917,

there were 25 companies financing instalment sales of automobiles. Prior to this time, expansion of sales had been limited by the inadequacy of facilities for the financing of instalment sales.

It was soon apparent that this increased availability of credit in the years following World War I, induced purchases of automobiles by many customers and in many markets which could be reached only by offering liberal credit terms. But following the successful use of the instalment plan for the sale of furniture and then the automobile, other industries producing durable consumers' goods explored the possibility of expanding their market by offering instalment terms.

With the introduction and perfection of the automatic washing machine and suction cleaner, preceding World War I, and the invention of the radio, the mechanical refrigerator and the automatic furnace which were placed on the market in the 20's, the demand for instalment credit for this wider variety of consumer goods encouraged more investors to establish financing agencies. Within a short period, more than 1,000 finance companies were organized, and with these added outlets for instalment paper, the amount of outstanding consumer credit doubled between the beginning of 1923 and the fall of 1929. From the beginning, these newly introduced durable goods items, such as radios, mechanical refrigerators, oil burners and automatic furnaces, were largely dependent upon instalment purchases, and their markets were expanded through the progressive improvement of credit facilities and the liberalization of credit terms.

For a large section of the market, the amount required as a down payment and the amount of periodic instalments, were found to be more important elements in determining the size of the market than the total purchase price. It was also soon apparent that competition in credit terms affected not only the various companies selling the same product, but the markets for other products as well. Industries which successfully applied instalment merchandising, expanded at the expense of other industries. Since the former were generally the most productive industries, increased markets permitted lower costs and lower selling prices, which, in turn, permitted the expansion of sales to still lower income groups through the means of easy payment terms.

Costs Decline With Increased Machine Production

It is characteristic of most types of machine production that manufacturing costs decline with an increase in the scale of output; consequently, subject to changes in raw material or labor costs, additional units can be produced more cheaply than the preceding units. There was also an acceleration in the trend toward instalment sales of semi-durable and luxury goods; chain store systems were established to sell men's and women's clothing, sporting goods, watches, etc., to low-income groups on long-term low down-payment contracts. Several mail-order houses rapidly increased their sales of clothing on instalment terms. Even quality stores established instalment credit policies.

Public utilities, realizing the importance of adequate instalment credit in the movement of electrical or gas appliances, began to supply part of the capital for financing credit sales of kitchen ranges and other household

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appliances in an effort to increase the consumption of gas and electricity. The expansion of consumer credit, however, came to an end soon after the stock market collapse in September, 1929. Deflation began first in the field of instalment credit arising out of the sale of durable consumer goods. The decline of durable goods sales, which had been predominantly made on instalment terms, caused instalment credit to be thrown into liquidation.

The retail automobile paper held by finance companies fell 25 per cent between September 1929 and September 1930, and the drop in receivables secured by most other types of durables, while less sharp, was substantial. This reduction continued until the spring of 1933, when automobile financing led the expansion of consumer credit as it led the liquidation.

Expanding Sales of Mechanical Refrigerators

Sales of mechanical refrigerators (which were a relatively new product on the market) also began to expand substantially in 1933; however, the expansion of the consumer credit market was dominated by automobile financing with finance companies increasing their holdings of automobile paper by 42 per cent in 1934; 39 per cent in 1935; and 57 per cent in 1936. Between March 1933 and August 1937, the amount of such paper increased almost sixfold. This was partially brought about by reductions in the discount rates and the lengthening of terms from 12 months in effect in 1929 to 17 months in 1937.

This decline in instalment credit and its recovery, indicated that the volume of instalment selling increases during a boom and decreases during a depression, but these changes are a result and not a cause. There is no evidence that instalment selling is an important factor in either bringing on a depression or bringing a depression to an end. One of the most notable developments in the field of instalment financing during the recovery period, was the government's program of encouraging the modernization and repair of homes by insuring credits under Title I of the National Housing Act. The importance of the program was in its indirect, rather than its direct, influence upon the expansion of consumer credit.

This program tended to break down the standards with respect to down payment and terms, but even more important was the psychological effect upon the consumer when he learned that, for perhaps the first time in history, 36-month credit was being offered on his promise

to repay the obligation in monthly instalments with no security being required. An even more far-reaching result of the government's Title I program was: 1. The introduction of thousands of commercial banks to the feasibility of the instalment plan of repayment of obligations; 2. The fact that they were enabled to gain experience in this type of credit extension while protected under a government insurance plan; and 3. It further gave them an opportunity to observe firsthand, that the average consumer was honest, and would meet his contractual obligations according to schedule, if regularly employed and the monthly payments were within a reasonable percentage of his monthly income.

This modernization program, instituted by the government in 1934, was the one thing that was responsible for winning general public acceptance of an instalment payment plan for the purchase of "big ticket" items. This, together with the amortized mortgage loan program, instituted by the H.O.L.C. and continued under the F.H.A. insured home mortgage program, further demonstrated to bankers the practicability and soundness of instalment purchases. It rather graphically pointed up the advantages of committing future income for the repayment of present-day purchases of lasting value.

Personal Loan Departments in Banks on Increase

As an indication of how this type of credit granting has won general acceptance by the commercial banks of the country within the past few years, in 1930, there were only about 100 banks that had established instalment or personal loan departments; while today, between 80 and 90 per cent of the approximately 15,000 banks in the country have an instalment loan portfolio. In 1934, of the estimated six billion dollars' worth of goods being sold on the instalment plan, some four billion was being handled by instalment finance agencies and only some 200 million by commercial departments of banks; while, at the same time, it was estimated that 750 million dollars was loaned by unlicensed lenders and loan "sharks."

The picture is quite different today, with commercial banks being the dominant figure in the instalment loan credit picture, with outstandings at the year-end 1953 of \$8,856 million, or 40.61 per cent of the total of \$21,807 million outstanding. The organization of the electric home and farm authority in 1933 also had a stimulating effect upon instalment financing, similar to that of F.H.A. This program, which permitted five-year terms on electrical appliances sold to rural families, induced many public utilities to offer financing plans of their own in connection with the sale of household appliances, in order to increase the consumption of gas and electricity and to compete with the R.E.A.

With the termination of the Title I program in the spring of 1937, several prominent instalment finance companies made a concerted effort to tighten the terms of instalment financing, and that program was backed by many bankers who were disturbed by the poor quality of instalment paper securing the finance company notes. It must be remembered, instalment credit had been extended for periods of only 12 to 18 months generally, prior to the government's Title I plan of 36-month terms, and the finance companies, as well as many banks, were anxious to restrict the terms as soon as government insurance was no longer available on appliance financing.

As a result of this shortening of terms on instalment credit, the growth of this type of sale ended and receivables arising from sales of household appliances and furniture began to decline in October of 1937.

Although the termination of the expansion in 1937 was much less abrupt than in 1929, once initiated the deflation gained momentum more rapidly than in 1929 because there were no important durable consumer goods with unexploited markets as was the case in 1929. In 1938 the rate of contraction of consumer credit exceeded \$120 million a month. Here again we have a clear indication of the serious effects resulting from a too rapid contraction of consumer credit, whatever the cause. The rate of contraction was slowed somewhat in late 1938 by a renewal of large scale public spending, but this contraction continued until the Spring of 1939, however, at a slower pace.

The period of contracted instalment credit purchases evident in 1937 and the mandatory curtailment of consumer durable goods available for purchase during World War II, have clearly pointed up the fact that the fluctuation in sales of consumers' durable goods is a psychological, as well as an economic, phenomenon. The period of usefulness of durable goods is flexible and most durable goods in normal times are discarded before they are completely worn out.

This being the case, it is evident that a substantial proportion of consumer spending is what might be called "discretionary." That means, it is money which the consumer does not have to spend immediately for the necessities of life. It is money he might spend for a new car, or a television set, or to paint his house, or in a hundred other ways. He can postpone these expenditures for a month, or a year, or even longer, depending upon his mood. Few people, for instance, buy a new car or television set because the old one is beyond repair.

It seems clear, therefore, that a rise in our national prosperity depends upon industry's ability to coax this spending power into the marketplace more rapidly by offering more attractive products, improved models of existing products, or entirely new things that never existed before in any form. Appliance dealers, for example, have sold thousands of devices to the housewife, who, in many instances, had hardly heard about them prior to being approached by a salesman. Vacuum cleaners, washing machines, and refrigerators are just a few such items.

Increase in Sale of Washing Machines on Credit

In cases where the housewives were sold on the convenience, the economy, and the labor-saving features through these selling efforts, millions of satisfied customers were created who never went back to the washboard, the broom, or the carpet-sweeper and the icebox. These three items alone, last year, accounted for more than two billion dollars in retail sales, involving more than ten million individual transactions. Furthermore, 63 per cent of the refrigerators, and 58 per cent of the washing machines sold in 1953, were sold on credit.

I could not help but compare the growth of the automobile industry which came into existence in a period when instalment credit was not available for the financing of its product, with the television industry which had the advantage of adequate instalment financing facilities. It was 16 years before the automobile industry became a billion-dollar industry. The television industry, by

comparison, retailed nearly 2.25 billion dollars' worth of television sets in 1950 which was only the fourth full year of production, and this was accomplished in a market limited to only that portion of the United States having television broadcasting stations.

In 1953 the retail value of television sales exceeded the wholesale value of all the passenger cars and trucks produced in 23 years of the past 50-year history of the automobile industry. Remember, this is a consumer product introduced to the public late in 1946. Already, over 60 per cent of all the nation's wired homes now have TV and 55 per cent of the \$2 billion in sales of TV sets in 1953 were sold on credit. In Los Angeles, Chicago, Cleveland, Boston, St. Louis, and Cincinnati, there are reported to be more TV receivers in use than telephones, and telephone service has been available for over 70 years.

It is interesting to note that of the slightly more than 9 billion dollars of electrical appliances manufactured in 1953, 3,454 million dollars' worth, or 39.6 per cent, were not even listed in 1940. As a further example, the portable radio did not come into the market until 1947, but last year, sales amounted to \$62,591,000. The clock radio was introduced in 1951, and present sales amount to \$78 million a year. Home freezers came into the market in 1946, and in 1953 there were 480 million dollars' worth sold to the consumer.

Obviously, the development of new products and stimulation of new desires on the part of the consumers is needed to maintain our present volume of consumer purchases. The next advance in consumer comfort will probably be from air conditioning. Today, only three per cent of the homes have air-conditioning units, but there were scarcely any at all in 1940, when only 11,450 units were sold. In 1953, these sales totaled 1,075,000 units with a value of \$420,530,000.

Builders in even medium-priced houses are now frequently planning air conditioning from the cellar to the attic, and this will force the installation of at least single-room units in older homes. As late as 1952, offices were taking at least 25 per cent of the air-conditioning output, but in 1953, the office share dropped to about 15 per cent. This appliance is rapidly losing its luxury status, and the middle-income group is beginning to think of it as a necessity. This will result in an even greater percentage of the estimated 20-million-unit-market, in the next ten years, being sold on credit.

Public Acceptance of Air Conditioners

Just what a general public acceptance of air conditioners, as a necessity, will mean to the utility companies, is evidenced by the fact that in 1950, air conditioners accounted for 8.9 billion kilowatt hours; however, last year this figure jumped to 13.8 billion, and current estimates are that power used in this field will hit 45 billion within the next 9 years. One of the great forces underlying the dynamics of the American economy and its long-term growth trend, has been the steady expansion of the people's wants and needs, and the changing consumer spending and savings patterns resulting from this.

From 1946 through 1950, the high level of consumer expenditures resulted from these things:

1. A backlog of demand piled up during World War II.

2. Fear that the war in Korea would spread.
3. New household formations which more than doubled from 530,000 a year in 1936-1940, to 1,250,000 annually in 1946-1950. That gave an added boost to sales of automobiles, refrigerators, television sets, automatic washers, deepfreeze units, and other durable goods items.
4. Expectation of price increases.
5. Easy credit terms.
6. The phenomenal rise in purchasing power and dramatic shifts in population also played an important part in creating a vast new market.

Measured in dollars of constant purchasing power, 58 per cent of today's families have incomes of \$3,000 to \$10,000, as against 29 per cent a quarter century ago. By the end of 1950, however, this backlog had, by and large, been worked off. The rate of new family formation had begun to slacken. It is down from 1,361,000 in 1950, to 950,000 in 1953. Furthermore, it is estimated by population experts that family formations will average out at about 800,000 in the 1956-1960 period.

Middle-Income Group Provides Most Credit Business

So, it is important, in our thinking, not to lose sight of the fact that normally about one-fifth of the total sales of automobiles, appliances, and furniture depends upon the growth in the number of households; even though this fact was not fully reflected in the volume of sales of durable goods since 1950, because of other factors just mentioned. Contrary to what many people think, it is the middle-income group which provides the consumer credit industry with most of its business. The average new car buyer, for instance, is in the \$400 to \$500 per month income class, and he pays on an average of \$79 per month for the automobile he purchases. The average used car buyer earns between \$300 and \$350 per month, and he pays a \$53 monthly payment and without a feeling of reasonable job security these consumers will not generally go into debt to purchase what they do not need and can postpone.

Millions of car owners buy new cars every year or two because there is a ready market for their used car at what they believe to be a fair price. The only reason there is a market for these old cars is that consumer credit permits the low-income earner to buy a *used* automobile, even though he may never be able to afford a *new* one. In 1953 59 per cent of these new car owners purchased their cars on credit, and 62 per cent of the used car purchasers made use of instalment credit for their purchases.

What did these credit purchases mean to the auto industry? New passenger car sales in 1953 totaled 6,121,787, for \$9 billion. If we were to eliminate 59 per cent of these new car purchases because there were no instalment financing available for them, I am sure you have no difficulty in visualizing the impact that would have upon our whole economy. What percentage of the 46.5 million passenger automobiles registered last year do you suppose would have been in existence without consumer credit? How many miles less than the 540 million traveled last year by motor transportation, would have resulted? How much reduction would there have been in the 43 million gallons of gasoline consumed in

1953, by automobiles, if it were not for adequate installment credit for automobile purchases?

This remarkable record could never have been attained without facilities to sustain the sale of both new and used cars. The same thing is true with the appliance, furniture, TV and radio markets, because, with our present degree of saturation in many items such as refrigerators, where the saturation point is 90.4 per cent of all wired houses, we must depend upon the resale and financing of used merchandise in order to move our new products.

With 54 per cent of the total department store sales volume now done on credit, it is obvious that it is credit that keeps the wheels of industry moving. It is credit that keeps employment at a high level. It is credit that has established and maintained the American standard of living. I would like to review a few of the things which consumer credit has done for our economy and our way of life. For one thing, I have pointed out that the production and sale of automobiles in volume, followed the organization of financing agencies to extend credit for their purchase.

Transportation Is Basis of All Material Progress

Term financing made possible most of the ownership of automobiles, which, in turn, created the necessity for better roads, and highway improvements which inevitably followed. With highway improvements and the more general use of the automobile as a means of transportation, trade areas were increased, and the importance of the automobile and truck to our economy is almost impossible to visualize since transportation is the basis of all our material progress. Transportation is, and always has been, the greatest single factor in the march of civilization, in the advance of industry, in the shift of populations from place to place.

For centuries, all great cities of the world were ocean ports, or were built on navigable rivers not far inland. With the development of the railroad, it was possible to

establish industrial and trade centers at many inland points never before considered suitable for such purposes. Automobiles and trucks have further added to the mobility of industry and agriculture. In fact, it was estimated that in 1940, 54,000 communities in the United States, and 7,000,000 non-farm families depended entirely upon trucks for freight transportation. Decentralization of business, of industry, and of trade, is one of the significant developments which improved transportation and communication made possible.

Another effect upon our economy is that of the part labor-saving devices play in our labor markets and the resultant increase in family income, and in the present-day increase in the size of the family unit which, in turn, increases the demand for consumer goods of all kinds. Where husbands earn less than \$1,000 per year, 36 per cent of the married women are working and, in cases where the husband earns \$5,000 or more, 17 per cent of the wives are employed. In the aggregate, one out of every four married women in the United States was employed in April of 1952. This is compared with one out of every seven in 1940. Since there were 38,670,000 married women in the United States on this date, this means that there were approximately 10,000,000 married women gainfully employed in 1952, which represented nearly 16 per cent of all persons employed.

Furthermore, with a shrinkage in domestic help of 30 per cent since 1940, it is obvious that without such items as the mechanical refrigerator replacing the icebox; gas and electric ranges replacing coal and wood ranges; deepfreeze units making unnecessary daily visits to the grocery or market; automatic washers replacing the washboard, and the vacuum cleaner largely replacing the broom and carpet-sweeper, as well as the added conveniences of garbage disposal units, clothes-dryers and dishwashers, we would have neither the man nor woman-power necessary to keep our factories and offices properly manned with personnel, nor the purchasing power with which to buy much of the output of our factories. Many of the present-day conveniences we have learned to consider as necessities would once again fall into the class of luxuries for a large segment of our population, with the resultant drop in our present-day high standard of living.

Better Educational Facilities

With better highways and improved motor transportation, we have seen the passing of the little red schoolhouse and their replacements with consolidated or union grade and high schools, all resulting in better educational facilities, better paid and qualified teachers, as well as a higher percentage of our children obtaining a college education. We have seen the passing of the country store with the traditional cracker barrel, and have largely replaced it with modern, efficient, specialized stores using modern merchandising methods.

Today the farm wife or the rural family has access to the same choice of merchandise, the same latest styles in clothing, the same modern home conveniences as those previously within the reach of only the urban dweller in the higher income brackets. We have truly come a long way in the short span of years, which is even more remarkable as I look back on the oil lamps of my youth. This growth and development has been made possible only through the wise, but adequate, extension of consumer credit to all who are entitled to it. ★★★

MEMBER



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National Legislative Activities

Clarence E. Wolfinger

*Credit Manager, Lit Brothers, Philadelphia, Pennsylvania
Chairman, Legislative Committee, National Retail Credit Association
Past President, National Retail Credit Association*

THE ANNUAL CONFERENCE of the National Retail Credit Association is not only an opportunity for the members to meet, exchange views and learn what is new and up-to-the-minute in the credit field, but it also presents the opportunity to become acquainted with the over-all activities of our Association and what has been done in the past year. For this purpose the chairman of each committee files a report of the work covered and its accomplishments. Each report is printed in a later issue of our publication, *The CREDIT WORLD*.

Some of our members may not realize the importance of the work carried on by these various committees. The procedure is similar to that followed by our government where all of the preliminary work of any important legislation or other program is developed within committees before it is presented to the Congress. In cases where there is a difference of opinion or the program needs revision, the subject is referred back to the committee for appropriate action. Due to the wide coverage of our membership and other insurmountable conditions, committee members frequently do not have the opportunity to sit down together and discuss problems which must be developed and worked out. To overcome this disadvantage, a great deal of the preliminary work must be done by correspondence, entailing considerable loss of time which could be used to good advantage if it were possible to have one or two meetings a year. Each committee, however, has the benefit of the advice and counsel of the Board of Directors and officers who are available to assist in making plans for future actions.

The Work of the Legislative Committee

The work of each committee is peculiar to itself, and each committee is a valuable unit in the progress and work of the Association. The Legislative Committee is more fortunate than some of the other committees as the work program is developed through our Washington Counsel in cooperation with our General Manager-Treasurer. When it is necessary for this Committee to act, it is possible to have a majority of them meet for this purpose. There is one advantage which the Legislative Committee holds and that is that the members are concentrated in or near Washington, D. C.

The purpose of this report is not only to give a summary of what has been done and some of the work outlined for future action, but also to give the background and past history of our Committee, a form generally followed by all committees. To anyone who has served on a committee or who has been active in such work, it becomes evident that many of these efforts require years of work before any tangible results are achieved. Just as Rome was not built in one day, so proposed legislation or efforts to effect legislation may have to be churned and tossed indefinitely until the finished product is produced. The membership of the National Retail Credit Association may not be familiar with all that must be

done or the detailed plans which have to be laid for the future and the work in process.

In all fairness, we should say this Committee revolves its activity around our Washington Counsel. Here is where the foundation is begun; through him meetings are planned and much of the follow-up work is effected. Additionally, our Washington representative is constantly on the alert to learn of any proposed legislation which might directly or indirectly affect any one of us who is in any way connected with credit granting. More work was required on the controversial subject of Regulation W and more conferences held in regard to this regulation, its amendments, its reinstatements and its eventual repeal than on any other efforts of this Committee. The time to fully explain our work in connection with this regulation could well be the basis for a lengthy report. We must not lose sight of the fact that Regulation W was a control of consumer credit, and the National Retail Credit Association represented a greater cross section of the various kinds of consumer credit than any other association group in the United States. Its members include every phase of consumer credit granting, and your Legislative Committee tried to take each type of credit into consideration so as to work for the greatest benefit of each class of members. Some were not directly affected by this regulation and it was necessary for the Association, in many cases, to poll the opinion of the directors in order to be properly guided for the best interests of all. In this work your Association sought the cooperation of other credit granting groups and through this combined effort a regulation was designed which served each group more equitably than might have been done by having individual groups try to favor their own particular members.

Because legislation of this type presents certain problems with the consumer who is the customer of the credit granter, it becomes difficult to consider changes in business procedures which may create a great number of inquiries and problems. A group or certain industries would always support regulatory measures as long as that particular group was not affected. As soon as the regulation became all inclusive and all types of credit granting were covered, many objections were heard from those whose toes began to feel the pinch. Regulation W was one of the most exhausting and trying committee assignments. This regulation was with us, off and on, from September, 1941, to May 7, 1952.

Many of you who are now in the business of granting consumer credit probably have no idea of the many times this effort to control consumer credit was in and out of the legislative program. And it is possible that some time later we may again be faced with this type of legislation. I certainly hope not, except in an extreme emergency. However, your Committee is prepared to go into action whenever it may be necessary. The National Retail Credit Association has always been interested in

sponsoring or supporting, or, if occasion requires, resisting any legislation which might adversely affect the credit grantor or the credit buyer. This refers to State as well as National efforts.

As far back as October, 1940, when the Soldiers and Sailors Civil Relief Act was passed, the National Retail Credit Association in July of that year asked the cooperation of other associations, such as the Bankers Association and the American Retail Federation, with others, and made known their viewpoints to the War Department. We continued to consult with them, and later with Congress. In this way, the Repossession Amendment which was a part of this Act was written into the law.

Your Legislative Committee has always been extremely watchful and active in the discussion of postal rates. There have been many meetings with the subcommittees from both the House and Senate, in which the matter of mail rates was discussed. In cooperation with other organizations in 1945, a reduction was made in the delivery charge of local first-class mail from three cents to two cents. With the decline of postal revenues, however, this was later reinstated at the three-cent rate.

Your Legislative Committee was responsible for effecting a change in the postal regulations to permit the giving of the address to which registered mail might be delivered and was extremely active in having the Retail Credit Survey conducted and published by the Department of Commerce.

Chapter XIII of the Bankruptcy Act which provides for Wage Earners' Arrangements under the National Bankruptcy Act of 1938 can be attributed wholly to the efforts of the National Retail Credit Association. This provides for the settlement with unsecured as well as secured creditors and for submission of future earnings to the supervision and control of the court. Compensation is paid to the referee and trustee only as payments are made, with a deposit of only \$15.00 as indemnity to the referee for costs.

As far back as 1934, your Association was instrumental in having bills introduced into Congress dealing with the amortization and debts of retailers. Aside from the many advantages of Chapter XIII to the embarrassed debtor, there has been eliminated the elaborate fee system which produced large revenues for referees in bankruptcy and was burdensome to the debtor and creditor alike. The legislation to place referees on a fee basis became a law in 1946, and although there is not an extended use of the Wage Earners' settlement provision of Section XIII, your Legislative Committee is recommending publicity by every possible means concerning the achievements already accomplished.

The history of Chapter XIII of the National Bankruptcy Act is a long one, and in March, 1954, the Committee adopted a resolution recommending an increase of the statutory limitation from \$5,000.00 to \$7,500.00, which was adopted at the New Orleans Conference in 1953, and also a resolution calling for the broadest dissemination of information as to the historic operation of Chapter XIII at Birmingham, Alabama, Memphis, Tennessee, and other places where the Chapter has been extensively and successfully used.

The efforts of your Committee to have legislation effected providing for the garnishment of salaries of government employees in states where garnishment laws were

in effect began over 14 years ago, although at that time there probably was a stronger opposition from the officers of the Federal government than there is at the present time. Because of the great number of Federal employees, many of whom were living in Washington or whose pay was forwarded from, or pay records kept in Washington, it became necessary to enter into a discussion with government officials in an effort to work as little hardship as possible on those offices which would be called upon to levy the garnishment on such salaries.

In 1943, your Association sponsored the Kefauver Bill which was passed by the House of Representatives in the second session of the 78th Congress but died in the Senate Judiciary subcommittee because of the ending of that session before action could be taken by the committee. The war delayed a renewal of the effort at that time. Recently this bill was revised in the form of H.R. 3602 with the possibility of being considered under the current legislative session as the Curtis Bill. There were favorable comments by the Committee Chairman of the American Bar Association endorsing this bill as a means of meeting the problem of interstate flight of parents defaulting on support of payments for minor children. In urging the passage of this bill, it was agreed that the elimination of personnel in the Armed Services from the bill might gain more favorable consideration. Whether or not this bill is favorably received, the Committee feels that some progress has been made in this direction. Here again is a program of extended efforts which may need later consideration.

At the time of the preparation of this report, there seems to be little doubt that the measure is dead in this session, and in all likelihood it will not be reported out of committee, but even if the bill should be reported favorably, its chances of passage even in the House would be virtually nil and there would be no chance of getting it through the Senate. This, however, should not be looked upon as a defeat in any sense of the word. In fact, we may have had a gain. There is some resistance from governmental departments and employee groups, also from the Department of Defense. This opposition may be due to the antagonistic feeling of certain members of the committee to the overselling of credit by aggressive retailers who take judgment to protect their credit extensions which might be further abused through the garnishment process.

Garnishment Provision Used as Last Resort

Our position was made very clear in reply to this objection. The National Retail Credit Association had taken the initiative interceding on the Wage Earners' Provision of Chapter XIII, and when a debtor was heavily in debt, we worked toward the ultimate rehabilitation of the debtor and the garnishment provision was the last resort. It was directed against the so-called dead beat, or the one who willfully refused to recognize his just obligations. Our approach is tied up with the need of legislation as a means of pursuing persons fleeing from maintenance and support-paying, and we disclaimed any intent to use the government as a collection agency to abuse the process of garnishment.

Much time and money were spent for the modification of the Consent Decree. This Decree dates back to October 6, 1933, and the stipulation followed on May 6, 1936. After many attempts, more than can be enumer-

ated in this short report, the Decree was modified on October 19, 1953, by an agreement between counsel for the Government, the National Retail Credit Association and the Associated Credit Bureaus of America. Many of the problems were not completely solved as a result of this order. However, the definition of "direct inquiry" as approved by court has been clarified and will be of advantage to credit granters and to credit bureaus.

The Post Office Department has revised its domestic money order form, encouraging purchasers of money orders to write their address on the money order and providing a space for that purpose. The space, heretofore, was not provided nor had the practice of writing in the address been encouraged at the time of issuance. This is now done by the purchaser of the order and lessens the detail and time consumed by the Post Office clerks in issuing the orders. When you consider there are approximately 375 million money orders purchased each year, a vast amount of time would naturally be saved in the Post Office by eliminating the necessity for clerks to fill in the address. In the Philadelphia Post Office there are signs on the walls opposite the issuing windows reading: *Please Write Your Address Plainly on Money Orders Before Mailing.* This same procedure is probably followed in the post offices throughout the country. This too has been a lengthy program, and we are glad to report the success of our effort. A sample of the new money order was pictured in *The CREDIT WORLD* of April, 1954.

Monthly Report of Washington Counsel

No report of the Legislative Committee would be complete unless mention were made of the page in *The CREDIT WORLD* devoted to "Items of Interest from the Nation's Capital." In fact, that is the title assigned to this particular page. It is a monthly report from our Counsel, John F. Clagett. This contains pertinent information in which all credit executives are interested and is one of the sections of *The CREDIT WORLD* which should be given regular and close attention. If you have not been doing so, certainly it deserves consideration on your list of "things to be done." Mr. Clagett prepares this interesting discussion, as well as initiating and following up much of the background work of the Legislative Committee. Considerable preparation is necessary and a great deal of time and effort go into the work in his office in our behalf. Anyone familiar with the procedures in legislative matters knows the successful conclusion of efforts is not a matter of minutes from the time of initiation until completion. Many of the accomplishments of the Legislative Committee necessarily are preceded by periods of waiting, postponements, discussions and conferences and often take years to conclude. In meeting with the various Congressional groups and committees, our representative spends immeasurable time preparing statistics and the material for submission to legislative groups. I wish our membership could fully appreciate the scope of this activity as well as the time and effort involved in some of the accomplishments.

Our General Manager-Treasurer, L. S. Crowder, has also devoted much of his time to this phase of our activities, and to both of these gentlemen I ask your thanks for their unceasing help and all of the many things which they have so willingly and voluntarily done. ★★★

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Banking and Finance QUESTION

Should a definite limit be placed on the amount that can be borrowed on a "no co-maker" basis in relation to income? What should this amount be?

ANSWERS

L. A. Brumbaugh, Valley National Bank, Phoenix, Arizona: There should be no "definite limit placed on the amount that can be borrowed on a 'no co-maker' basis in relation to income." The amount that can safely be borrowed is obviously related to customer income. His income should be sufficient to enable the customer to meet all his obligations to his creditors and his family and leave him a margin for savings and unexpected demands. Any new loan must, therefore, be justified in relation to this income. Income, however, must be considered in relation to individuals, dependency, standard of living, nature and length of employment, net worth and credit history. This being true, the amount which any individual can safely borrow must be determined not by reference to any mathematical formula based on income, but by the exercise of good judgment which considers all credit factors.

Thomas C. Fischer, Progressive Bank and Trust Co., New Orleans, Louisiana: As a rule of thumb, we are now using a policy of lending on an open basis, approximately one month's salary, give or take ten per cent, for twelve months or less. Of course, if we extend terms, we proportionately may lend more. Factors that may affect the rule are: 1. Other indebtedness, particularly instalment loans on contracts outstanding. 2. Number of dependents. 3. Rent or mortgage payments.

O. W. Frieberg, American Trust Company, San Francisco, California: Any limit which should be placed on the amount that can be borrowed on a "no co-maker" basis in relation to income should be a flexible one. As a matter of policy of the lender, a limit of ten per cent of the annual income of the borrower from salary or wages can be set as a guide rather than a definite limit. It is particularly applicable to a person in the lower income brackets but other factors to be considered are the purpose of the loan, assets of the borrower, his position and length of employment, monthly payments for instalment purchases, and rent or mortgage payments. As a guide, however, a loan equal to ten per cent of the annual income results in a monthly payment over a period of one year which can be carried without being an undue burden on the borrower and yet liquidate the loan over the standard term. There may be cases

of loans for non-recurring purposes where a loan in excess of ten per cent of the annual income can be justified based on the consideration of all factors. It is assumed, of course, that the limit set for a loan on a "no co-maker" basis also requires as to eligibility a term of continuous employment of two years or more with a well-established firm. Here again there may be exceptions but in all events a favorable credit background reflected in a good credit report is basic.

J. C. Gilliland, Pullman Trust & Savings Bank, Chicago, Illinois: No. Income is only one of several factors that have to be considered in connection with the setting of credit limits. The applicant with a high income may be so involved with other obligations that any additional credit extended would have little relationship to his original income. On the other hand, all of us have been surprised by the excellent manner in which customers with relatively low incomes have handled reasonably substantial obligations. Again, the credit line which would be established for a customer for an instalment loan would have a quite different relationship to his income than that established for a customer interested in a short term or convenience credit.

Cyril J. Jedlicka, The City National Bank & Trust Company, Kansas City, Missouri: Banks and other lenders find it difficult to place a definite limit on the amount of unsecured credit (no co-maker) which may safely be extended to an individual in relation to his income. A great deal depends on the extent of the borrower's present obligations and his fixed monthly expenses. A rough guide used by many lenders on loans to be repaid within twelve months is about one month's salary and not to exceed two months' salary even under most favorable conditions. If a loan in the amount of one month's salary is granted, the borrower has contracted to save eight and one-third per cent of his annual salary to repay this loan. Few individuals consistently save as much as ten per cent of their income so it appears that few borrowers can repay much more than this amount without hardship or slowness. With our present full employment, a much larger percentage of our family units have a greater disposable or discretionary income left after fixed living expenses. Especially is this true in those families that have more than one individual gainfully employed or those who are in the higher income brackets. Many of those individuals are in a position to repay a larger percentage of this income on their obligations. If the individual is already well obligated on secured obligations such as a home, automobile, furniture, appliances, etc., extreme caution must be used in the extension of unsecured credit in any sizable amount or sizable percentage of the borrower's income. It is the

policy of our bank to put more emphasis on these other factors than a reliance on any set percentage of income in granting such credit.

Mason M. Jones, The Bank of California, Portland, Oregon: I feel that there should be a definite limit placed on the amount that can be borrowed on an unsecured or on a "no co-maker" basis in relation to income. I also feel that a co-maker loan, generally speaking, is an unsatisfactory way to extend credit. As a rule of thumb it is my opinion that this limit should be based on one month's income, after taking into consideration dependents, instalment payments being made, and any other factors that might affect the repayment of the obligation. There are, of course, always exceptions, and in many cases the lender can go considerably beyond the amount of a month's income with reasonable assurance of repayment.

R. W. Schilling, The Bank of Georgia, Atlanta, Georgia: There is no reason that a definite limit should be placed on a "no co-maker" borrower in relation to his income any more than any other classification of loan. One's ability to repay a loan does not depend on collateral or co-makers. It depends on his earning capacity, fixed obligations and family responsibilities.

Keene W. Wolfe, Michigan National Bank, Battle Creek, Michigan: We feel that a definite limit should be placed on the amount that one can borrow, based on his income. Our policy is to add all the obligations of the customer, excepting his home payment schedule and add them together and if the repayments per month are not greater than one week's salary, the customer would be entitled to a "no co-maker" loan. We have a practice in our office to limit this amount to \$300.00 but, of course, there are exceptions to this policy. The loan is based on the following requirements:

1. The borrower must be a good moral credit risk.
2. The borrower must have sufficient income to make the loan payments and maintain his standard of living.
3. The borrower must have a good record of meeting his obligations. On all personal loans it is our policy to insure the loan with Sick, Accident and Life Insurance protection.

Building Materials

QUESTION

I would like to ask the members of this Panel a question concerning checks returned by the bank marked "N.S.F." What is the best way of handling them?

ANSWERS

Mrs. Dorothe M. Bolte, Lyons Brothers Lumber & Fuel Co., Joliet, Illinois: The best way to handle an N.S.F. check is the way in which it will cause the least embarrassment to your customer, retain his good will, and still get payment for your firm. We feel that our customers would not knowingly give us a check without sufficient funds to cover it. Therefore, when a check is returned to us by the bank marked N.S.F. we redeposit it, without contacting the customer, on the theory that the customer has probably been delayed in making his deposit. When the check is returned for the second time,

we write him explaining that the check has been returned and that we realize that perhaps he has been delayed in making a deposit or that possibly an error has been made in calculating his balance, leaving the inference that either he or the bank could have made the error, and asking that he make arrangements to take care of the matter at once. Invariably, after the above procedure has been followed the customer either phones or comes into the office to take care of the matter, and comments that he is appreciative of the consideration we have extended him. However, if the above method has not produced results within five days of mailing the letter, we phone the customer and ask that he tell us when we may redeposit the check and get a direct answer in that way.

B. F. Collins, Warner Hardware Company, Minneapolis, Minnesota: When a check is returned to us N.S.F. issued by a local customer we call him on the phone and he usually instructs us to put it through again for payment. N.S.F. checks that are received from out-of-town customers are put through the bank for the second time without contacting the customer. If checks are returned the second time and we have assurance from the signer that the money is now in the bank to cover them, we deposit the check at the collection department of our bank who forwards it to the bank upon which the check is drawn. In this manner the check will be held by the paying bank and will be applied to the signer's account as soon as a deposit is made to cover it. By following this procedure most of our N.S.F. checks are cleared up within a reasonable time. This procedure is not followed, however, in a case where we might accept a check from a customer whose credit is bad and it is returned N.S.F. We do not redeposit this type of check, but follow it up as we would a tough collection item.

J. M. Dean, Building Material Dealers' Credit Association, Los Angeles, California: The above question is one which is giving credit managers and every supplier who sells merchandise, either for cash or credit, considerable worry at the present time. We are, in this district, receiving the largest number of N.S.F. and "Refer to Maker" checks in our history. In my opinion there are three distinct types of N.S.F. checks. First, is the one which is taken in payment of a cash sale. If there is any question whatsoever in your mind as to the responsibility of the party issuing the check, then the check certainly should be declined. In our opinion all cash sale checks from parties not known to the firm who is making the sale should carry the following statement:

"In giving this check I acknowledge value received for same and I hereby represent that the amount drawn for in this check is on deposit to my credit in the above named institution free from any claims and that it will be there when this check is presented for payment; and I hereby guarantee payment of this check and agree not to stop payment of same."

This statement should be placed above your customer's signature. Then, if the check is returned N.S.F., the average district attorney's office will take action and assist you in collection. The second type of check is one that is given to you by your customer to relieve collection pressure of a past-due account. The customer knows that he

(Turn to "Credit Clinic," page 21.)

CREDIT FLASHES

Charles S. Gallagher

Charles S. Gallagher, 45, Credit Manager, Farmers Union Hardware, San Jose, California, passed away September 27, 1954. A native of Ely, Minnesota, he worked as a sports writer for the Northwest News Bureau in St. Paul before ill health forced him to move west. He was a director of the National Retail Credit Association representing District 11, president of the San Jose Better Business Bureau, a past president of District 11 and of the Retail Credit Association of San Jose. Mr. Gallagher is survived by his widow and a daughter Mrs. Edith Miller of Redwood City to whom we extend our deepest sympathy.

Past Presidents Meeting at Lincoln

Members of the Lincoln Retail Credit Association, Lincoln, Nebraska, joined with members of Nebraska Credit Women's Breakfast Clubs and Associated Credit Bureaus of Nebraska who were meeting in Lincoln, for a social hour and dinner October 10, 1954. Fourteen of the past presidents of the Lincoln Retail Credit Association and their ladies were present and the past presidents each received a plaque designating his year of service. In attendance were: E. U. Guenzel, 1926; H. R. Amos, 1929; Floyd Schutz, 1935; C. W. Hyland, 1940; L. H. Daft, 1941; W. W. Bauer, 1942; G. Henry Crane, 1943; Robert Gohde, 1947; Horace Hodgson, 1948; George P. Kimball, 1949; H. R. Spencer, 1950; Ted E. Barger, 1951; L. F. White, 1952. Past presidents unable to be present, but who also received plaques were: George O. Smith, 1917; H. B. Smith, 1920; Byron Dunn, 1921; John P. Drennen, 1923; A. A. Braun, 1924; Joe L. Owens, 1930; George J. Harves, 1931; Leslie Crandall, 1936; H. S. Oxley, 1938; Wheaton Battey, 1939; Rex Smith, 1944; and Fred S. Aldrich, 1946.

Bankruptcy Act Reprints Available

The National Office has received requests for reprints of Chapter 13 of the Bankruptcy Act which appeared in the September, 1954, issue of *The CREDIT WORLD*. Reprints are now available and can be secured free of charge by writing National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233).

Of *The CREDIT WORLD*, published monthly at St. Louis, Mo., for October 1, 1954.

1. The names and addresses of the publishers, editor, managing editor, and business manager are:

Publisher, National Retail Credit Association.....St. Louis, Mo.
Editor, Lindley S. Crowder.....St. Louis, Mo.
Managing Editor, Arthur H. Hert.....St. Louis, Mo.
Business Manager, E. E. Hannafin.....St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Mo.; William J. Tate, President, Charles Ogilvy, Ltd., Ottawa, Ontario, Canada; Kaa F. Blue, First Vice-President, Foundation Plan, Inc., New Orleans, La.; Second Vice-President, Wimberley C. Goodman, Reynolds-Penland Co., Dallas, Texas; Third Vice-President, Eldon L. Taylor, Glen Brothers Music Co., Ogden, Utah; L. S. Crowder, General Manager-Treasurer, 375 Jackson Ave., St. Louis 5, Mo.; and Arthur H. Hert, Secretary, 375 Jackson Ave., St. Louis 5, Mo. No stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities are: None.

L. S. CROWDER, Editor

Sworn to and subscribed before me this 23rd day of September, 1954.

Mary E. Riordan.

(My commission expires May 18, 1957.)

Coming District Meetings

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting at the Hotel New Yorker, New York, New York, February 13, 14, and 15, 1955.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting at the Tutwiler Hotel, Birmingham, Alabama, April 17, 18, 19, and 20, 1955.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Faust Hotel, Rockford, Illinois, February 4, 5, and 6, 1955.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Fontenelle, Omaha, Nebraska, March 13, 14, and 15, 1955.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Skirvin Hotel, Oklahoma City, Oklahoma, March 13, 14, and 15, 1955.

District Eight (Texas) will hold its annual meeting at the Buccaneer Hotel, Galveston, Texas, May 22, 23, and 24, 1955.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting in Casper, Wyoming, May 8, 9, and 10, 1955.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia and Saskatchewan, Canada) will hold its annual meeting at the Vancouver Hotel, Vancouver, British Columbia, Canada, May 21, 22, 23, and 24, 1955.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the El Tejon Hotel, Bakersfield, California, February 20, 21, 22, and 23, 1955.

Help Wanted

Credit Manager with experience in credit and collection work with hospitals to serve as credit manager of new modern 350 bed hospital in Western North Carolina. Box 11541, *The CREDIT WORLD*.

For Sale

Steel file cabinets. 1,000 drawers for five by eight cards. Shaw Walker No. 1055, 19 inches deep. Buy what you need for \$1.00 per drawer, F.O.B. Washington, D. C. The Credit Bureau Inc., P. O. Box 1617, Washington 13, D. C.

Newspaper Credit Executives Organize

Granting of credit to advertisers has become increasingly difficult and collections are requiring added perseverance and new techniques. This was the almost unanimous verdict of delegates of the Advertising Media Credit Executives Association which closed its first annual meeting Friday, October 22, 1954 with an election of officers and board of directors to serve for the coming year. The sessions were held at the Hotel Statler, St. Louis, Missouri, October 21 and 22, 1954; with delegates attending from Canada and the following states: Illinois, Missouri, Louisiana, South Dakota, Iowa, New Jersey, Oklahoma, Ohio, Minnesota, Michigan, New York, California, Kansas, Indiana, Virginia, Georgia, Florida, Rhode Island, Washington and Washington, D. C.

The officers elected are Robert T. Holman, Credit Manager, *The Cleveland Press*, Cleveland, Ohio, President; Arthur Gerecke, Credit Manager, *St. Louis Post-Dispatch*, St. Louis, Missouri, Vice President; L. F. Sullivan, Credit Manager, *The Register and Tribune Company*, Des Moines, Iowa, Secretary; Mrs. Hermine Fischer, *Christian Science Monitor*, Boston, Massachusetts, Treasurer.

The board of directors elected includes the officers and Henry G. Baker, Credit Manager, *The Oklahoma Publishing Co.*, Oklahoma City, Oklahoma; Samuel B. Goodman, Jr., *The Evening Star Newspaper Co.*, Washington, D. C.; Royce Schnert, Credit Manager, *Wichita Eagle Publishing Co.*, Past President, National Retail Credit Association, Wichita, Kansas; Chet Billings, Assistant Manager, *Meredith Publishing Co.*, Des Moines, Iowa; J. Lester Moore, Credit Manager, *The Atlanta Journal-Constitution*, Atlanta, Georgia; John F. Clarke, Credit Manager, *The Toronto Star, Ltd.*, Toronto, Ontario, Canada; Everett O. White, Jr., *Providence Journal Co.*, Providence, Rhode Island; and Gilbert W. Sites, Credit Manager, *The Times-Mirror Co.*, Los Angeles, Calif.

The objectives of the group are to improve understanding and techniques in credit management by the exchange of ideas, methods and experiences; to encourage study through advanced educational courses; to raise the level of efficiency and capacity of its members; and to seek recognition for their profession.

Cleveland, Ohio, was selected as the convention city for 1955. The organization is open to newspaper, radio, television, magazine and trade journal credit executives.

Shown in the picture below, seated, left to right, are: Arthur Gerecke, Vice President; Robert Holman, President; and L. F. Sullivan, Secretary. Standing, left to right, are: John F. Clarke; Royce Schnert; Gilbert W. Sites; J. Lester Moore; and Henry G. Baker.



"The Credit Clinic"

(Beginning on page 18.)

does not have sufficient funds on deposit in the bank and that the check will not clear; or, it may be drawn against uncollected funds. In either case, however, you have an acknowledgment of your account which may be of assistance in forcing collection. The third evil in N.S.F. checks comes from accepting what is known as third party checks. The third party checks are only as good as your customer. They are expensive to handle and you are acting only as a clearinghouse for your customer. The present existing laws covering N.S.F. checks fail, as they have no teeth of any value. There are dozens of ways to beat N.S.F. check law. If our Federal Government would see fit to adopt a law which would make the issuance of an N.S.F. check a perjury, it would stop a large percentage of the N.S.F. checks which are now issued.

William F. DeVere

William F. DeVere, 62, Secretary-Treasurer, Cheyenne Credit Bureau, Cheyenne, Wyoming, died suddenly at Memorial Hospital, Cheyenne, October 26, 1954. He had been in ill health for the past several months. Born in Huntsville, Alabama, "Bill" as he was known to his host of friends, came to Cheyenne in 1913. To satisfy an ambition to act on the legitimate stage, he left school at the age of 15 and for eight years he played "stock" the length and breadth of the United States. He was prominent in the Cheyenne Little Theatre group and was instrumental in organizing that enterprise in 1930. For years he served as its producing director and remained active up to the time of his death. Mr. DeVere went to Cheyenne from Denver in 1922 and occupied a position of prominence in the city's business and social life. He was a member of Kiwanis, the Cheyenne Auto Dealers Association, a director of the Associated Credit Bureaus of the Rocky Mountain States, and also belonged to the Chamber of Commerce, Elks, Masons, Consistory No. 1, and the Laramie County Sportsmen's Association.

He was the immediate Past President of the Quarter Century Club of the National Retail Credit Association and presided at the annual breakfast held in San Francisco on July 22, 1954 at the Mark Hopkins Hotel. He was the Association's song leader at many International Consumer Credit Conferences and was an outstanding story teller. In this connection he will be remembered for his fine job of entertaining the delegates at the banquet of the annual conference held in Banff, Alberta, Canada, in 1948. His stories were the highlight of the evening.

He is survived by his wife Louise, and one son, Bill, an architect living in Chicago. The National Retail Credit Association extends its deepest sympathy to his wife and son on their great loss. We shall miss Bill DeVere at our annual Conferences.

For Sale

Due to ill health will sacrifice the sale of credit bureau in County seat, population approximately 8,500. For further particulars, write P. O. Box 80, Centerville, Iowa.

The Credit Forum

Fees for Cashing Checks

DAVID K. BLAIR
Credit Manager, H. Liebes and Company
San Francisco, California

WE CHARGE A FEE for cashing checks and we believe we are right in doing so. Perhaps we subscribe to the old adage that "the shoemaker should stick to his last" but, be that as it may, we feel that merchants should establish a policy regarding the types of services that they are going to offer the public and where they are going to draw the line. We, certainly, would be up in arms if the banks were to compete with us in selling merchandise and when we cash checks purely as an accommodation we are, in a sense, invading the field of banking.

I grant you that the cashing of checks as an accommodation might, in many areas of this country, be considered as an advantageous service to be rendered by a merchant, as banking facilities in many cities are not available in the shopping area. This is not true, however, in California. The laws of this state not only permit branch banking, but encourage it. As an example, the San Francisco telephone directory lists 118 banking institutions of which 100 are branches. I do not believe that there is a major store in San Francisco that does not have a banking office within two city blocks of it.

At H. Liebes & Co., we have two banks within 100 feet of our front door; one next door and one across the street. We also have one behind us about 150 feet away. With three different banks in the immediate neighborhood, we are not imposing on a customer when we ask her to cash her check at the bank if she wishes this service purely as an accommodation. Actually, we do not decline to cash checks when we are satisfied that the check is good, but we do charge a fee of 10 cents on checks up to \$25.00 and 25 cents on larger checks. We do not charge for cashing checks if the customer is paying on account or is making a cash purchase.

In reality, when making the charge, we are trying to educate the customer to expect the proper service at the proper institution. Are we making money off the charge? No. Does the customer object to the charge? No. Does the money received from this charge offset the cost of cashing the checks? Only partly.

Then why do it? Because, by making the charge, and politely explaining why we make the charge, we are gradually educating our customers that check cashing as an accommodation is not a service that should automatically be expected of a merchant. This has tended to sharply reduce the number of checks that we are asked to cash each day. It has not stopped the professional bad check passer and it will not. The bad check passer knows that he cannot cash his check at a bank and the gullible merchant is his real opportunity to make a cleanup.

But—and this is important—by sharply reducing the number of checks that we are asked to cash each day, we

have automatically obtained more time in which to screen each check. Those authorized to approve checks for cashing may take more time with each one and assure themselves that the check is good. This added time is the biggest gain we have made since we instituted the charge for cashing checks about four years ago. For by taking more time, we have been able to reduce our bad check losses considerably. No longer can the smooth talking confidence man bilk us with a bad check during peak periods. Our authorizers have more time due to the reduced traffic and refuse to be rushed into the quick approval that usually means disaster to the merchant. We occasionally get a "bad one" even now, but, all things considered, we are money ahead since we started charging a fee for cashing checks.

Actually, these gains are in reality a by-product of the operation, for our original intention when instituting this system was to reduce the activity in front of our cashiers' windows so that our own customers could be more speedily served. In years past we were confronted with the problem of our regular customers being forced to stand in line in order to transact business with our cashiers, such as making payments on account, because so many non-customers were also wanting the cashiers to cash checks, purely as an accommodation. As merchants, we must not institute any system that might drive our customers from our store; but we also have the responsibility to institute such systems that may make it more convenient for our customers to transact business with us.

I realize that I have been reporting to you on the practices of my own firm, which I was asked to do. I would not have you believe, however, that we are alone in this practice. A high percentage of the major stores in this city charge a similar fee for cashing checks. In checking those stores, I find that they are in agreement with me, generally. Nor were we the first to institute this system. Some merchants in this city have been charging a fee for over ten years, whereas, we instituted the charge in October of 1950.

In conclusion, and speaking for myself as well as the other stores in San Francisco who make the charge, I can say that the effort was well worth the results. Any system that can deter the professional bad check passer without inconveniencing our good customers too greatly is good for retailing. ★★★

Sound Instalment Terms

L. A. BRUMBAUGH
Assistant Vice President, Valley National Bank
Phoenix, Arizona

SOUND INSTALMENT TERMS represent no new interest. About them, many articles have been written and many talks have been made. To them we have given our best thought, but their final determination seems ever to elude us.

They challenge our attention because they lie at the heart of instalment credit. The agreement as to down payments and maturities has an important bearing upon the ultimate success of the credit experience. Terms which are too harsh, deny credit to the people. Terms which are too easy lead to overextension on the part of individuals and to excessive consumer credit in the nation. Sound terms, which avoid both of these extremes, encourage production, facilitate trade, enable the customer to obtain needed goods and services, and are safe and profitable for the creditor. They are good business practice; good for the creditor, the debtor, and all concerned.

Determining and maintaining sound instalment terms require good and courageous judgment. Many pressures are exerted upon the creditor. Conservatively minded persons urge caution. They contend that consumer credit bulks too large and must be curtailed lest it bring the whole economic structure tumbling down about us. Sometimes this pressure is exerted by business leaders. At other times, it is made by Government. Sometimes, as in Regulation W, it is imposed. At other times, voluntary restraint is urged upon us.

The opposite kind of pressure is now dominant. Business is sluggish, sales are lagging, and unemployment remains large and threatening. People are not buying as merchants desire and there is a clamor for easier terms. A *Bankers' Research Bulletin*, dated April 20, 1954, states, "As far as dealers are concerned, they see only one solution—more liberal terms." The *Auto Dealers' Digest* of May, 1954, quotes from an N.A.D.A. release which "emphasized that the biggest reason for slow used car sales was the inability of the people to meet required down payments and maturities." To the pleas of business for easier terms has now been added the voice of Government.

Sound terms, however, are not determined by wishful thinking or majority votes. Neither are they arbitrarily imposed by the creditors. Well has O. W. Frieberg, American Trust Company, San Francisco, said, "Sound terms are established by favorable experience arising out of sound business practice." It is doubtless true that most people follow the leader, but the formulation of sound instalment terms is effected only by careful study and mature judgment.

What Are Sound Instalment Terms?

Sound instalment terms, as commonly understood, have reference to down payments and maturities, but what actually constitutes "sound terms" cannot be dogmatically affirmed. Representing what is essentially a matter of opinion, there is never complete agreement concerning them. They are not tailored to fit every person or condition, but represent a working formula which good business judgment generally approves.

Various factors affect them. Changing conditions may greatly alter them. This was demonstrated a few months ago when the Mexican Government devaluated the peso. Some of our branch customers lived below the border. By their employers, they were paid in pesos, but their loans were payable to us in dollars. With the peso losing one-third of its value, loans that had formerly seemed to have been made on sound instalment terms, overnight became something vastly different. Changes in our own economic climate produce effects, which, though they may

not be as sudden, are nonetheless real.

The earning on loans is intimately related to the soundness of the terms. Since soundness is a matter of degree, the larger the profit margin, the more liberal the creditor can afford to be in his terms. For this reason, small loan companies, with larger loan charges, can sometimes make satisfactory loans upon terms which would be unsound for banks.

Dealer guarantees, reserves, and credit life insurance also have a bearing upon the soundness of instalment terms because they help to reduce the risk assumed by the creditor. More than all these, the character and capacity of the customer are the primary concern in all instalment credit.

In personal loans, since down payments are not normally involved, "sound terms" refer primarily to maturities. Small loan companies make these loans for periods of 20 months or more. From the company point of view, repeated rewrites of these loans are desirable. They keep the customers on the books and thus build up a group of patrons with favorable paying records. For these companies, long maturities prove both safe and profitable. Experience shows that the risk tends to increase with the length of the loan, but for well-established customers and with credit life insurance, it can be greatly reduced. In our bank, we distinguish between loans made for temporary purposes and those which represent an investment, as when purchasing durable goods. The latter are to be enjoyed over a period of years and the customer may well have a longer time in which to pay for them. On the other hand, loans made to pay bills or for temporary purposes tend to be needed annually and should be liquidated within a year, but policy is flexible enough to permit longer terms when conditions justify them.

Home Appliance and Furniture Contracts are usually purchased with recourse to accredited dealers. In the contract of sale, the customer is required to make a down payment which is designed to give him an equity or interest in the merchandise, and to make such further payments as will maintain this equity during the payment of his obligation. Over the years both equities and maturities have varied, but the tendency has been to reduce the former and extend the latter. A number of years ago, we cooperated with the local power company in encouraging the sale of electric refrigerators. We purchased contracts in which the customer had a \$5.00 down payment and was given 36 months in which to pay. These deals proved satisfactory for all concerned. This experience precludes our insistence that any one formula only is sound, but it does not alter our conviction that reasonable down payments and shorter maturities are desirable. After careful consideration and experience in processing thousands of such contracts, we believe that, as of now, a 10 per cent down payment and a maximum maturity of 24 months represent sound instalment terms in this type of loans. Reasonable reserves are carried in connection with them. Insurance protection is given on the merchandise and credit life insurance is carried on the customer. Within the last year, in one of our bank offices, two deep-freeze dealers and two radio and television dealers defaulted. With a wise use of reserves and faithful collection effort, we have been able to liquidate the lines without loss to the bank and refund a portion

of the reserve to the dealers. Sometime before this, we had a furniture and appliance dealer build up a large contingency and then unceremoniously leave town without notice. We liquidated the line without loss and have about \$2,000.00 of reserve left for him if he should return to claim it. For our present terms of 10 per cent down and 24 months maturities, we, therefore, think we have ample support in experience.

When the FHA first announced its Title I loans with no down payments and 36 months to pay, soundness of terms was not a primary concern, but the loans proved sound, and, through the years, experience has continued to justify them. From certain groups, we now hear agitation for enlarged FHA Title I loans and with maturities much further extended. In response to urgent need, we shall interpose no objection to these easier terms but as yet we have found no need of them.

In the real property improvement field, where FHA Title I loans are not eligible, there are projects which merit support. In cooperation with good lumber companies, we have a plan wherein terms of no down payment and 36 months maturity are offered. The paper originates with the lumber companies. They discount it in the bank. Ninety-five per cent of the net of the loan is disbursed to the dealer and the remaining 5 per cent is deposited in a reserve. This 5 per cent covers the company's maximum liability on the paper. More than ten years of experience has proved the soundness of these loans.

Passenger cars are financed either with or without dealer recourse. Until recently in Arizona, on new cars a minimum one-third down payment was required and the maximum maturity was 24 months. A few months ago, one of the major national finance companies broke the line and offered 30 months maturities when a 40 per cent down payment was made. When less than a 40 per cent down payment was made, the maximum term continued to be 24 months. These terms are now offered by all of the banks and finance companies in our area but have not proved popular. A comparatively small number of customers have made use of them. Dealers generally do not approve them because they say anyone who can make a 40 per cent down payment does not need more than 24 months to pay, and that 30 months is too long to keep the customer out of the market. In one of the larger cities of Arizona, the dealers requested us not to advertise the more liberal terms. Some used car dealers have asked for more liberal terms but the line holds in this field. One-third down payments are required on all used car purchases from 1954 through 1949 models. On older models, a 40 per cent down payment is required. Maturities vary from 24 months on 1954, 1953 and 1952 models to 12 months on those older than 1949. Generally, these loans have been satisfactory, but recent experience shows that on repossessed cars losses have averaged \$350.00 per car. On the Coast, where the more generous terms of 30 per cent down and 30 months maturities have prevailed, a couple of banks report losses averaging from \$450.00 to \$480.00 per car. This clearly shows the importance of equities and that they are not being fully maintained. From this we do not conclude that terms should be harder than one-third down and 24 months maturities, but that they cannot soundly be made easier.

Through the years, house trailers have been financed with recourse to accredited dealers. Originally, a one-third down payment was required and a maximum maturity of 24 months was given. As larger trailers came to be made and their costs increased, 24 months maturities required payments which were too heavy for the customers and maturities on new trailers were increased to 36 months when the cost of the trailer was \$3,000.00 or more. Experience with these terms has proved satisfactory. Present policy offers 48 months maturities on trailers costing \$4,000.00 or more and 60 months maturities on those costing \$5,000.00 or more. Graduated shorter maturities are offered on used house trailers whose purchase we finance.

While we believe these terms to be as generous as can wisely be offered, there are those who would make them more liberal. Many merchants seem to think their cash registers would make sweet music if only credit terms were easier, but even now numerous firms are offering merchandise for sale with no down payments and maturities of 30 months. Surely these terms are easy, but even with them, customers are not rushing to buy. There are other and more compelling reasons why they are not buying. According to the *Federal Reserve Bulletin* for March, 1954, people generally feel that prices are too high and are postponing their buying in the hope that later they can buy more advantageously. It seems evident, therefore, that easier instalment terms would not now result in a greatly increased volume of sales, but even if they did do so, we should remember the words of William F. Kelly, who, speaking in the Consumer Credit Conference of the American Bankers Association in 1950, declared, "Credit practices and terms, which act purely as a stimulant to buy, produce only a temporary false economy and defeat the fundamental purposes of credit."

Those who contend for easier terms seem to think that creditors could be much more generous if they only wanted to do so. They seem not to understand that instalment terms must be sound as well as generous, and that "sound terms" are a matter not of desire but of economics. Fortunately, some of the counselors in the trade understand the need of sound terms and are warning dealers against too much dependence upon easy terms. Among these was the writer in the May issue of the *Auto Dealers' Digest*, who declared, "The current terms being extended by banks, finance companies, and even by self-financing automobile dealers have stabilized at economically sound levels. As a result of experience, auto financiers have determined what represents the most liberal terms for each year model consistent with sound business standards. So in this period of the competitive sales era, the finance sources are not on trial; the dealers are."

Observe Sound Instalment Terms

It is not enough that we approve and observe sound instalment terms. We must help others to appreciate and observe them. They must be made to know that instalment credit is valuable and that we wish to make it available; but that it cannot solve all their problems and that in the end it may be dangerous unless it is offered on a sound basis. Thus, instalment credit will be extended upon sound terms and contribute helpfully to a prosperous community. ★★★

Local Association Activities

Minneapolis, Minnesota

At the annual meeting of the Retail Credit Association of Minneapolis, Minneapolis, Minnesota, the following officers and directors were elected: President, W. F. Streeter, Boutell's; Vice President, A. W. Schreiner, The Colwell Press; and Secretary-Treasurer, C. A. Wildes, Credit Bureau of Minneapolis. Directors: E. L. Swandby, Davies Mortuary Co.; Ray Gates, Brown Clothing Co.; J. C. Condon, Twin City Savings and Loan Association; Lydia Dusek, W. R. Stephens Co.; Eugene W. Oredson, First Edina State Bank; Ray A. Knaeble, Knaeble Co.; Mabel H. Miller, Carnegie Dock & Fuel Co.; Kenneth W. Hultgren, Dayton's; George A. Werness, Werness Brothers Funeral Chapel; and R. W. Ringsrud, Northwestern Investment Co.

Bainbridge, Georgia

The Bainbridge Merchants Retail Credit Association, Bainbridge, Georgia, elected the following officers at their annual meeting: President, Irving Kres, Kres Jewelers; Vice President, Dr. J. G. Harrison, Optometrist; Treasurer, Mrs. Mildred Arline, First National Bank; and Secretary, Mrs. Irene Rubenstein, Bainbridge Motor Co.

Wilmington, Delaware

The following officers were elected at the annual meeting of the Credit Grantors' Association, Wilmington, Delaware: President, Robert Cook, Storms; Vice President, Joseph Cunningham, Strawbridges; Secretary, A. J. King, Kennard's; and Treasurer, C. P. Sayles, McDaniels.

District Ten at San Francisco

At the annual meeting of District Ten, N.R.C.A., held in San Francisco, California, July 19-22, 1954, the following officers and directors were elected: President, J. D. Hartup, Standard Oil Co., Spokane, Washington; Vice President, Hugh Tallent, C. F. Berg Co., Portland, Oregon; Secretary-Treasurer, Avadana Cochran, Credit Bureau of Kitsap County, Bremerton, Washington; and Field Secretary, Walter A. Jensen, Pacific Northwest Council, Portland, Oregon. Directors: Frank Brennand, Woodward's, Ltd., Edmonton, Alberta, Canada; Harold Evans, T. Eaton Ltd., Vancouver, British Columbia, Canada; Helen Lybold, Weinbergs, Butte, Montana; V. E. Rasmussen, Evergreen Cemetery, Seattle, Washington; Earl Bloomquist, Union Oil Co., Great Falls, Montana; Forrest Hardin, Seattle First National Bank, Moses Lake, Washington; George Marshall, National Bank of Commerce, Seattle, Washington; L. E. Stairer, Washington Water Power Co., Lewiston, Idaho; J. W. Gillis, Royal Jubilee Hospital, Victoria, British Columbia, Canada; W. B. Harris, Pacific Supply Corp., Walla Walla, Washington; Fane Polley, *Calgary Herald*, Calgary, Alberta, Canada; and Pat Strong, Puget Sound National Bank, Tacoma, Washington. National Director, Chalmer Blair, Braley & Graham, Portland, Oregon.

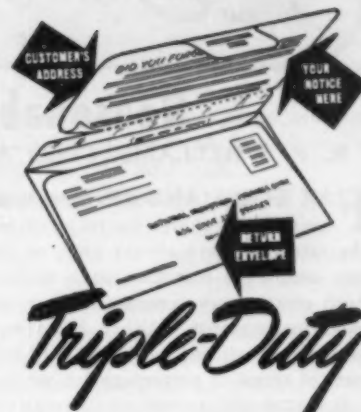
New Castle, Pennsylvania

At the organizational meeting of the Retail Credit Association of New Castle, New Castle, Pennsylvania, the following officers and directors were elected: President, Bernard F. McNulty, Haber Furniture Co.; Vice President, Willis C. Miller, Perlemans Jewelry; and Secretary-Treasurer, Carl E. Paisley, The Credit Bureau. Directors: C. M. Adams, Pennsylvania Power Co.; William M. Boston, First National Bank; Ralph R. Carlson, Citizens National Bank; Mrs. Nellie Melder, Robins Furniture; and Mrs. Ada Grauel, New Castle Store.

Rockford, Illinois

The 1954-1955 officers and directors of the Rockford Retail Credit Association, Rockford, Illinois, are: President, Donald Woodrick, Smith Oil & Refining Co.; Vice President, R. R. Marcum, Viner & Shields; Secretary, Harold Grahm, Credit Bureau of Rockford; and Treasurer, Mrs. Katharine N. Hogan, Rockford Paint Mfg. Co. Directors: Mrs. Eleanor Collins, Hess Brothers; John Hocking, Rockford Mercantile Agency; and C. A. Broughton, Commercial Collection Co.

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**MAKES COLLECTIONS
EASIER, FASTER . . . SAVES
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TRIPLE-DUTY combines outgoing envelope, notice form and return envelope in *one piece*. Costs less to handle, brings in delinquent payments *faster*. Can be used in series of first, second and third notices. But first notices in TRIPLE-DUTY form do the bulk of your collection job. Make it easy for customers to remit payments promptly, resulting in improved collection efficiency. Only 2¢ postage, mailed anywhere in the U. S.

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NAME _____
ADDRESS _____
CITY _____ ZONE _____ STATE _____
TYPE OF BUSINESS _____
CW-9



Granting Credit in Canada



C. B. FLEMINGTON . . Canadian Correspondent

Reasonable Instalment Finance Charges

R. F. WHELLAMS, *Credit Manager, Standard Furniture Company, Victoria, B. C., Canada*

FAR TOO MANY merchants apply a rate of interest or carrying charge for no other reason than that it is the rate they have always used, or they adopt the same rate used by a merchant in a similar type of business. Such customs are common but are not in keeping with good management. What is an equitable charge for carrying instalment accounts? There is no specific answer in terms of percentage but we can examine the factors that should control our carrying charge rates. There are at least three.

I. The cost of doing a credit business is the first factor. What makes up this cost?

A. How much do you pay your bank or finance company for the money to carry your accounts receivable, or if it is your own capital, what returns do you expect it to bring you? You would want five or six per cent, certainly not less.

B. What is the cost of handling your instalment accounts in the way of office expense? Consider these items, most of which are not involved in the case of cash purchases.

- (1) Interviewers' or salesmen's time to take the credit application, arrange the terms, and write up the contract.
- (2) Cost of a Credit Bureau report and time required to record this information.
- (3) The time to analyze the report, and, in some cases, give a second interview.
- (4) Preparing a ledger card.
- (5) Time required to post purchases and payments to the account.
- (6) Cashiers' time to write receipts and periodically discuss the account with customers.
- (7) The high cost of bookkeeping machines, adding machines, typewriters, etc.
- (8) The servicing of the account to determine if payments are being made, and in many cases

the sending of payment notices and letters and making telephone calls.

- (9) The cost of stationery: contract forms, ledger cards, receipts, payment notices, letters, etc.
- (10) Postage.
- (11) The cost of floor space which is valuable in all retail businesses.
- (12) Heat, light, and telephones.
- (13) Supervision of management.
- (14) Many sundry expenses such as janitoring.
- (15) Losses from bad debts.

The cost of most of these 15 items will vary in different parts of the country depending upon the salary level of office staffs in each area. There is a great difference between the cost of loaning bulk sums of money on good security as done by banks and the loaning or financing of hundreds of small accounts as required of merchants. Item A above might be likened to the wholesale cost of money; item B to the cost of retailing this money. Whether this money is retailed by a bank, a finance company, or a merchant, the expenses outlined in B are always present and must be covered by an appropriate rate of interest or carrying charge.

A little calculation taking into account both A and B will indicate what it is costing you to carry your instalment accounts. You will probably find the figure close to 12 per cent per annum of your receivables on the basis of simple interest. This is the equivalent of a straight 6 per cent per annum calculated on the original unpaid balance after deducting the down payment, or to put it another way, it is one-half of one per cent per month of the original unpaid balance. On smaller contracts you will find that the percentage is greater for it costs the same to open and service an account for \$5.00 per month as it does an account for \$50.00 per month.

II. A second factor to consider is whether a merchant should show a profit on his finance charges. Some finance charges are so high that the merchant can afford to sell his goods without too much regard for net profit on his turnover; the major portion of his net earnings being made from his finance charges. On the other hand, there are merchants who charge a nominal figure for credit services, some making no charge at all. Obviously, these merchants consider the costs of handling instalment accounts as part of their general overhead and their mark-up on all merchandise is of necessity higher. In such cases the cash or thirty-day customer is paying for the credit accommodation of those who require extended terms. Between these two extremes many merchants have formed a "middle-of-the-road" policy which gives them a small margin of net profit on their financing and a reasonable net profit on their turnover.

An Invitation to Canadians, Everywhere

Having to read my articles is the penalty you pay for your modesty. How I watch the mails, longing for contributions for our Canadian section of *The CREDIT WORLD*, from sources where assistance has been expected. To anyone from St. John's, Newfoundland to Victoria, British Columbia, I extend a sincere invitation to contribute to our columns. Let Canadians everywhere know the important happenings in your field of retail credit, or let us have an article for publication dealing with some specific phase of credit or collection procedure. Thanks.—*Carl B. Flemington.*

III. The third factor of importance is competition. It is not good for one merchant to apply a rate of carrying charge much in excess of others in his community, for he is bound to lose a certain amount of business and good will. Nevertheless, if carrying charges are reasonable, added in a lump sum, and not referred to as a certain percentage or fixed monthly figure, customers will rarely make an issue of the amount. By avoiding the mention of rates of carrying charge, problems of competition are greatly reduced.

Several merchants in our area are using a scale of carrying charge designed to follow the "middle-of-the-road" policy. It is graduated to realize an amount adequate to cover the cost of carrying the more expensive small accounts. This scale was originally developed by a Western Department Store, and is now being used in principle by three of the larger stores as well as ourselves. It appears to have received most favourable public acceptance. We ironed out a few "wrinkles" in the original scale and calculated the monthly payments, incorporating both carrying charges and payments into a new chart.* The rate of carrying charge on this chart is calculated at three-fourths of one per cent per month on original balances under \$260.00 and up to ten months, beyond ten months the rate drops to one-half of one per cent per month for each additional month, based also on the original balance. On balances above \$380.00 the rate is one-half of one per cent per month regardless of the length of time. Between \$260.00 and \$380.00 the rate is

*If a copy of this chart is desired, it can be obtained for \$1.00 by writing the author of this article.—Ed.

graduated from three-fourths of one per cent to one-half of one per cent. In other words, the rate is graduated from approximately 17 per cent per annum simple interest on small accounts to approximately 11 per cent per annum on larger accounts. The rate structure may sound complicated but it is fair to both customer and merchant and when used in the form of a chart it is extremely simple to follow. The chart shows carrying charges and payments from two months to 24 months on accounts from \$20.00 to \$1,000.00. It folds neatly into pocket size for the convenience of the sales staff.

Time Saved Through Use of Chart

It is estimated that the time it takes a salesman or interviewer to arrange terms for a customer is reduced by one-third to one-half by using a carrying charge and payment chart. We have a chart under glass at each interviewing desk. The time and cost involved in preparing a chart of this nature is tremendous: the typesetting alone is a heavy item, proofreading another, to say nothing of the many days required to compile the original draft. Because of the expense, only the larger businesses have found it practical to make their own finance charts. After using our new chart for only a short time we have become so convinced of its merits that we felt others might benefit from our experience.

Much money can be made or lost in the proper application of carrying charges to instalment accounts. Larger stores realizing this have devoted a great deal of thought to the subject. Other merchants, particularly the smaller firms, should consider their own operation carefully in the light of the high cost of doing an instalment business.★★★



We have YOUR NAME in this "Who's Who"

As a member of the Credit Bureau we are called upon to report, at frequent intervals, the credit standing of our customers. This report is available to every merchant or professional man who is a member of the Credit Bureau.

Your account with us at the present time is PAST DUE. To maintain a good credit record, you should make a payment NOW or arrange for an early settlement.

Name _____

Owed to _____

Balance \$ _____ Past Due \$ _____

Date _____

Guard Your Credit as a Sacred Trust

Reluctant Dollars

Merchants and professional men can bring in reluctant dollars by using the tested Collection Insert shown here. Prepared at the urgent request of our members, it has a definite tie-in with the credit bureau. Not only does it turn past-due receivables into cash, but it is an effective means of educating the general public to pay bills promptly.

This is another success number in our series of Collection Helps. The size is three inches by five and one-half inches and it is printed in dark green ink on canary bond stock. Only \$3.00 per thousand.

NATIONAL RETAIL CREDIT ASSOCIATION

375 Jackson Ave.

St. Louis 5, Mo.



Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

The Forgery and Bogus Check Problem—a Look at the National Picture: The extension of credit and over-the-counter merchandising involve innumerable opportunities for the clever bad check passer to "ply his trade." What is the trend today, and what, if any, are the opportunities for improvement in the machinery combating this evil? The most authoritative sources of information are the United States Secret Service and the FBI. These agencies operate in separate and non-conflicting fields, and we find, upon inquiry, that available figures show an upward trend.

Both the size of the problem and the trend are indicated by published and other public information. For 1953 the Secret Service received 27,720 forged Government checks and completed investigations of 26,179, worth \$2,119,243.44. The corresponding figures for fiscal 1954 rose to 31,931 forged Government checks received and 28,837 investigated, worth \$2,239,659.91. The extreme complexities of the problem are indicated by the fact that in 1953 the number of arrests for this federal offence was only 2,284.

The FBI does not get into the field of forged Government checks, but handles fraudulent checks which fall into two general categories: first, it has direct jurisdiction over fraudulent check artists who operate interstate, that is, where the interstate transportation of any falsely made, forged, altered or counterfeited check, with knowledge of its false character, is involved; second, the FBI maintains in Washington the "National Fraudulent Check File" which is available for use, free of charge, by any duly authorized law enforcement agency. At the present time this FBI file contains 56,369 specimens of bogus checks.

The problem viewed from a nationwide standpoint is a peculiar and difficult one for the reason that several days or sometimes weeks may elapse before a check is determined to be worthless. Local law enforcement officers often have little chance to apprehend the passer after the check has been cashed.

However, samples of checks written by bogus check writers, on file at the FBI Laboratory, afford the opportunity for comparison with new checks which are submitted, and in this manner the identity, and often the arrest, of the person who passed them is increased. The efficacy of the system is further indicated by the fact that as high as 64 per cent of checks submitted have been identified with checks previously on file.

The following tabulation of fraudulent checks handled in the National Fraudulent Check File program probably indicates both the growing awareness of law enforcement agencies in the value of submitting checks for com-

parison, and the increase of the problem from the mere standpoint of size:

Year	No. Checks Received	Face Value
1954	21,008	\$3,345,937
1953	19,436	3,211,098
1952	16,597	2,700,049
1951	15,643	2,247,354

What can the merchant, credit department executive, supermarket, bank or hotel cashier do to combat further this criminal activity of the bogus check passer?

U. E. Baughman, Chief, United States Secret Service, said in an article written for *The CREDIT WORLD* (December, 1953, page 8): "The forgery of Government checks is the biggest single enforcement problem of the Secret Service today. . . . The Secret Service arrested 2,284 people for check forgery during the year ended June 30, 1953. Many more arrests might have been made if storekeepers who had been victimized with forgeries had been able to furnish some tangible information about the forgers. Unfortunately, however, many retail merchants are so anxious to make sales, or so fearful of offending customers, that they refuse or neglect to insist upon full identification of strangers who ask them to cash checks, and when an investigation is made, they are unable even to describe the forgers."

Obviously the above diagnosis applies with equal force to the field of falsely made, forged, altered or counterfeited checks (not a Government instrument) handled by the FBI. Information should be turned over at the earliest possible moment to local law enforcement officers.

The need for vigorous action all along the line is indicated by the disparity in the number of forged Government checks investigated by the Secret Service as compared to actual arrests and a similar disparity between the number of checks received for recordation by the FBI in the National Fraudulent Check File and the number of persons, according to another FBI report, the "Uniform Crime Reports," who were "charged (held for prosecution)."

This report for 1953 shows 10,004 persons under the heading "Forgery and Counterfeiting" "charged (held for prosecution)," compared to 19,436 checks received. It also is apparent that in many cases where a person was "charged" by local prosecuting authority, and reported to the FBI for the "Uniform Crime Reports," the checks had not necessarily been sent to the FBI.

It should be noted also that the figure of 10,004 is based on reports from 1,676 cities with a total population of 62,219,047, which leaves approximately 100,000,000 of the United States population unaccounted for so far as the "Uniform Crime Reports" of the FBI are concerned.

comparative

COLLECTION PERCENTAGES

September 1954 vs. September 1953

DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1954			1953			1954			1953			1954			1953			1954			1953		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portland, Me.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	45.5	48.2	42.0	50.1	50.6	47.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	63.5	64.8	62.1	64.6	66.5	62.7	24.6	32.2	17.0	22.2	25.3	19.0	—	66.0	—	—	62.0	—	—	50.4	—	—	54.0	—
Worcester, Mass.	—	—	—	51.1	51.4	50.9	—	—	—	22.8	24.2	21.4	—	—	—	49.1	51.3	47.0	—	—	—	—	—	—
2 New York, N. Y.	46.9	55.0	37.9	46.7	51.4	35.1	13.7	18.4	12.1	17.5	20.5	15.0	44.2	48.5	34.3	37.3	45.3	34.7	47.9	51.8	44.0	47.1	48.4	45.8
4 Birmingham, Ala.	41.4	49.0	35.2	41.4	48.8	35.2	16.3	19.8	13.2	17.4	22.7	13.5	37.2	46.0	32.6	38.7	44.7	34.7	46.4	50.5	43.6	48.1	49.2	47.0
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio*	54.6	59.7	51.8	54.8	60.0	49.0	15.5	20.4	12.1	15.5	19.8	12.7	50.2	51.0	49.5	50.5	52.2	48.9	—	—	—	—	—	—
Cleveland, Ohio	48.5	56.7	43.5	47.6	56.1	42.9	19.6	22.5	16.4	19.0	21.7	14.7	38.3	51.9	24.1	39.0	55.4	23.2	69.2	99.3	45.2	67.0	90.9	44.6
Louisville, Ky.	52.3	54.6	50.5	50.5	53.2	45.6	18.8	19.7	18.2	17.4	18.8	15.1	42.2	43.5	40.9	41.3	41.9	40.7	44.7	50.9	40.7	45.3	50.3	40.6
5 Milwaukee, Wis.	59.0	61.0	49.2	52.4	60.5	51.5	14.8	15.1	14.5	16.7	17.4	16.1	—	48.7	—	—	47.6	—	65.3	73.5	52.3	59.6	69.3	50.0
Toledo, Ohio	52.0	52.1	27.0	50.4	57.0	35.8	16.0	21.2	13.1	16.5	18.6	14.1	54.3	62.6	46.0	56.6	66.9	46.2	—	39.2	—	—	44.3	—
Youngstown, Ohio*	—	40.2	—	—	40.7	—	—	—	14.7	—	—	13.9	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6 Minneapolis, Minn.	55.3	64.3	45.1	54.1	58.6	44.7	14.6	18.0	12.4	14.7	17.1	13.4	49.6	59.2	40.1	48.9	57.5	40.3	50.8	60.9	44.8	52.8	59.8	46.1
Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 Kansas City, Mo.	46.7	57.7	43.2	52.1	54.8	37.0	12.8	15.8	6.7	12.1	12.4	8.8	59.4	63.0	51.2	59.0	61.5	45.0	—	—	—	—	—	—
St. Louis, Mo.	54.5	55.0	54.2	55.0	58.0	53.0	18.8	20.0	17.9	18.2	20.7	14.6	—	55.7	—	41.9	51.0	32.9	44.9	50.6	38.0	44.8	54.7	35.9
8 Dallas, Texas	57.9	58.1	48.7	50.1	54.8	47.1	—	9.1	—	—	9.5	—	46.7	54.5	40.7	50.9	55.6	40.4	55.4	58.9	48.0	53.5	58.2	51.9
Houston, Texas	49.0	54.2	43.9	46.1	48.1	44.2	—	15.2	—	—	13.2	—	44.0	44.2	43.9	55.5	63.8	46.3	—	51.7	—	—	51.9	—
9 Denver, Colo.	47.6	51.9	42.1	49.2	52.3	44.5	15.8	24.6	14.8	13.9	26.7	13.2	46.6	51.1	42.1	48.9	52.3	45.5	46.6	51.1	42.1	48.9	52.3	45.5
Salt Lake City, Utah	54.6	58.2	51.0	51.9	56.2	50.0	19.6	25.2	16.7	18.5	25.4	15.0	—	—	—	—	—	—	46.1	47.0	45.3	48.0	50.5	45.5
10 Spokane, Wash.	—	55.2	—	—	55.3	—	—	15.6	—	—	14.5	—	—	—	—	—	—	—	—	42.5	—	—	50.1	—
Los Angeles, Calif.	59.6	62.9	49.6	57.4	65.5	48.9	—	—	—	15.1	16.8	13.5	—	—	—	—	—	—	49.6	68.9	30.7	47.0	52.2	29.4
Oakland, Calif.	54.5	57.7	54.0	58.1	61.7	55.4	15.7	16.6	13.0	16.3	19.3	13.4	52.3	61.6	43.1	57.8	64.7	50.9	—	49.7	—	—	52.4	—
11 Santa Barbara, Calif.	64.1	71.5	59.0	62.5	69.0	55.5	—	—	—	—	—	—	55.0	61.5	51.4	52.9	57.2	48.3	60.7	67.1	51.2	59.0	67.4	48.7
San Francisco, Calif.	51.0	66.2	46.7	51.4	60.2	44.1	15.3	17.5	13.4	15.8	18.7	14.3	44.5	47.6	40.6	43.3	47.7	38.4	43.7	48.2	40.6	45.4	46.6	42.8
San Jose, Calif.	52.5	66.5	49.1	54.7	64.7	51.5	18.6	22.2	15.0	18.4	22.9	14.0	56.7	63.6	49.8	55.4	61.7	49.2	—	—	—	—	—	—
Baltimore, Md.	47.7	51.8	41.8	48.0	52.5	44.0	16.5	21.0	12.4	16.8	21.5	14.4	36.3	37.0	34.6	36.5	45.2	32.0	39.2	44.1	34.8	41.5	43.5	39.5
12 Philadelphia, Pa.	39.0	42.3	35.0	39.7	44.1	36.0	11.0	12.7	9.1	11.8	13.5	10.5	37.7	45.8	29.2	39.7	43.7	20.6	—	—	—	—	—	—
Washington, D. C.	42.3	49.7	32.9	42.0	50.5	35.6	14.7	18.9	12.6	14.4	19.9	12.0	—	—	—	—	—	—	—	—	—	—	—	—

* Figures for August.

Consumer Credit for August

Consumer instalment credit increased 64 million dollars during August to an estimated 21,310 million at the month-end. Increases in August of 1953 and 1952 were 214 million and 260 million, respectively. Automobile instalment paper outstanding rose 55 million dollars during the month, primarily due to a continued increase in paper held by sales finance companies. Holdings of automobile paper by commercial banks declined further. Other consumer goods paper outstanding declined 25 million dollars during the month, while repair and modernization, and personal loans increased 3 million and 31 million, respectively. Charge accounts outstanding increased 28 million dollars during August, reflecting largely changes at retail outlets other than department stores. Total short- and intermediate-term consumer credit outstanding amounted to an estimated 27,932 million dollars at the

end of August, 97 million above the preceding month and 122 million above a year earlier.—Federal Reserve Board.

Department Store Credit for August

Instalment accounts outstanding at department stores increased slightly during August. Balances outstanding at the end of the month were 1 per cent above July and 4 per cent above a year ago. The instalment collection ratio, estimated at 13 per cent, was down 1 point from both a month ago and a year ago. Charge accounts outstanding were practically unchanged from July to August although month-end balances were up 3 per cent from a year ago. Charge-account collections during August amounted to 45 per cent of first-of-month balances, the same as a month ago and a year ago. All types of sales increased from July to August—cash sales by 9 per cent, charge-account sales by 12 per cent, and instalment sales by 13 per cent. Total sales were unchanged from a year earlier, as a result of increases in credit sales that offset a decline in cash sales.—Federal Reserve Board.

CREDIT DEPARTMENT

Letters

LEONARD BERRY

A FRIENDLY CRITIC of this column gently chided us recently. He thought that the subjects of better public relations and credit sales promotion and the like are more frequently discussed than are collections. And collections, he asserted, are vital to retail credit management success. You should talk about collection procedures more often, he said.

Actually, we do discuss collection matters at least once every three or four months. However, he may have a point. Even though the credit sales promotion and public relations functions of the credit manager are highly important, the necessity of maintaining good collection results must never be minimized. Unless accounts are paid promptly, with only the minimum number of collection problems arising, the operation cannot be considered a sound one. Accordingly, this month a few thoughts on collections generally.

If we were to say that many habitual slow-pay customers are the result of poor training on the part of retail credit managers, that statement might be considered too strong and without sound foundation. Yet, when we think about it, it turns out to have definite validity.

We agree that some customers occasionally become involved in credit obligations beyond their ability to handle in a satisfactory manner, but surely that is a matter of credit control and capable credit management can successfully solve such problems. And, of course, in every family unexpected financial circumstances arise from time to time that throw the budget out of balance. Such cases merit our cooperation and understanding.

The majority of our collection problems arise from the seeming lack of *willingness* to pay rather than the lack of *ability* to pay. Over the years, by haphazard and inconsistent collection procedures we have caused such customers to believe that payment, especially of monthly charge accounts, can be made at the customer's convenience and that delay in remitting is not very significant or harmful to them.

When talking to smaller retailers particularly, we hear the frequent complaint made, "I have so many customers on the books who can pay but who just won't." They have not been trained in habits of prompt payment and thus lack that personal "drive" to do so. It is a serious matter when undue amounts of working capital are tied up in accounts receivable. That is why constant credit education and patient explanation are necessary. Improvement in attitudes can often be made.

Certainly, new credit customers can, and should, be started on the road to habits and attitudes of prompt payment at the very beginning of the business relationship. The first few months of the life of an account are the critical ones. It is then that the good habits of prompt payment or the bad habits of indifference and

carelessness are formed. This applies to monthly charge and instalment accounts and to large and small firms.

New accounts should be watched particularly closely in those early months. *Impersonal*, friendly reminders should be sent out at set intervals when the account becomes past due and the customer told in a courteous but firm manner that payment is expected according to terms. If such impersonal reminders do not bring results, then a *personal* letter stressing necessity of prompt payment should be sent. That letter too should be followed quickly by another letter or telephone call. Thus, any tendency to laxity in payment can be curbed at the very start. When new credit customers are trained in the habit of paying promptly, there is every probability that most of those accounts will be prompt pay permanently.

To the smaller retailer particularly we want to point out that insistence on prompt payment will not lose customers as might be thought possible. Deep down, most customers are proud of their credit record and will respond to encouragement to maintain it. They will shop more readily at stores where they have accounts in good standing and they will have a greater respect for the merchant who insists on prompt payment. *Aggressive and consistent follow-up produces results.*

This Month's Illustrations

Illustration No. 1. We are glad to have the opportunity of presenting this notification of new account letter used by Frank A. Schnell, Credit Manager, Olean Times Herald Corporation, Olean, New York. The closing phrase of the letter is particularly good "... and we sincerely hope that your investment in advertising in this publication will prove a profitable one."

Illustration No. 2. In sending this letter to us, Galen K. Longenecker, Credit Manager, Furchgott's, Jacksonville, Florida, has this to say, "I am sending copy of a letter I recently mailed my most seriously past due customers and since the response to the letter was above average, I thought you might like to see it. Out of the 169 letters mailed, 27 paid in full, 54 paid on account, thus keeping them out of Profit and Loss Account, 17 replied giving definite promises and two were transferred to instalment accounts. In view of the fact that these were all potential charge-offs I was very pleased with the results."

Illustrations Nos. 3 and 4. Here are two interesting "gadget" collection letters. These were produced by W. A. Waddell, Credit Department, Charleston Oil Company, Charleston, South Carolina. Concerning them, Mr. Waddell says, "Recently we had the idea of a collection letter somewhat on the humorous side, thinking that perhaps a light approach might succeed when other letters had failed. The results have been encouraging."

OLEANS
**TIMES
HERALD**
CORPORATION

Oldest Daily in Catawagus County : Established 1860
TIMES SQUARE OLEANS • NEW • YORK

(1)

Mr. James C. Customer
000 Main Street
Your City, Your State

Dear Mr. Customer:

We welcome you as a new member to our family of Times Herald advertisers.

As such, we have opened an account on our books in your name. Because you have established yourself in your former location, your account will be placed on the same basis as are our other business accounts. Statements are rendered on the first of the month and accounts are due and payable on the 10th.

We look forward to pleasant business relations with you and we sincerely hope that your investment in advertising in this publication will prove a profitable one.

Yours truly,
OLEANS TIMES HERALD CORP.

Frank A. Schnell

CHARLESTON OIL COMPANY


DOMESTIC HEATING OIL,
AUTOMOBILE OILS AND GREASES.
LONG DISTANCE PHONE 2-5541

KEROSENE, GASOLINE,
LUBRICATING OILS AND GREASES.
P. O. BOX 148

Charleston, S.C.

(3)

Mrs. James C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

Not picking on you!



Just trying to dig up a little money ---

Won't you help us by sending a check to cover your balance of \$50.00.

We know you will and thank a lot.

Yours for GOOD CREDIT,

Charleston Oil Company,

By *W. A. Waddell*

Credit Department

Established 1868

Phone 5-2544

FURCHGOTT'S

Adams at Hogan
Jacksonville 1, Florida

(2)

Mr. and Mrs. James C. Customer
000 Main Street
Your City, Your State

Dear Mr. and Mrs. Customer:

Your patronage with our store is always appreciated. We want you to know that.

We recently made an Age Analysis of our accounts in connection with our annual audit. Frankly, your account didn't show up too well on the analysis. Perhaps you hadn't realized just how old your account really is. The balance is \$200.00, of which amount \$200.00 is six months or older.

There can be many reasons, of course, why you haven't paid, and we could cite you a number of reasons why it should be paid, but there is no use going into all that. What is important is the fact that we want you to continue as one of our good customers. With the Fall and Winter season not too far away, we would like to see your account in condition to permit charges without hesitancy.

We will be only too happy to discuss possible arrangements with you. Perhaps you would like to arrange for post-dated checks, or transfer to a Club Plan. Do make it a point to do something right away.

Sincerely,

G. E. Longenecker,
Credit Manager

CHARLESTON OIL COMPANY


DOMESTIC HEATING OIL,
AUTOMOBILE OILS AND GREASES.
LONG DISTANCE PHONE 2-5541

KEROSENE, GASOLINE,
LUBRICATING OILS AND GREASES.
P. O. BOX 148

Charleston, S.C.

(4)

Mrs. James C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

The we sent you last month



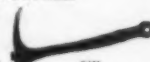
we must have broken!

We are sending you another



to see if you won't

out a little money, sending it to us



on your past due account of \$200.00.

Thanks so much for your picking.

Yours for GOOD CREDIT,

Charleston Oil Company

By *W. A. Waddell*

Credit Department

Twenty Years Later . . .

Frank Batty, Orinda, California

Past President

National Retail Credit Association

(Remarks before the Board of Directors, National Retail Credit Association, San Francisco, California, Thursday afternoon, July 22, 1954)

MEMORY IS A wonderful faculty and every day I thank Almighty God for the power to be able to recall, at will, events that have happened since childhood. That applies to us all.

I recall particularly the Memphis, Tennessee, Convention, twenty years ago and some of you were present on that occasion. At that time we were to select and appoint a man who could carry on. The membership was low and declining and from a service standpoint the Association had lost much of its prestige. I think my term of office was perhaps one of the most difficult of any president who has ever occupied the Chair.

Referring to figures, in 1934 we had 12,000 members. The number has nearly tripled since that time. We now have better than 35,000. I shall always be grateful that I was one of the committee who decided on a man to fill the breach and carry on under most difficult circumstances. To shorten the story, that man was Lindley Crowder. He was unanimously recommended by the committee and appointed to the position without any misgivings.

Almost immediately things began to take a turn for the better. Mr. Crowder traveled around the country and made personal contacts with literally hundreds and thousands of men and women. He restored the prestige of this Association; the membership grew and has continued to grow up to this time. I think much of the success and progress of the organization can be attributed to the unfailing efforts of Lindley Crowder and what I wish to emphasize, in brief, is that I am sure we are all appreciative of the service he has rendered.

I propose, therefore, that the sincere thanks of the Association be tendered to Mr. Crowder for his unfailing efforts to build the Association and, as an exponent of sound credit, to strengthen the credit structure throughout the United States and Canada.

Mr. Crowder, I am sure I speak for the membership at large and most certainly do for the Board; I know I rightly interpret their feelings when I say we are grateful to you for your tireless devotion and trust that you may long be spared to render such service to the betterment of credit in North America.

Announcing a New Service in the Letter-Writing Field

The ability to write attention-getting, action-impelling credit department letters is essential in these days of keen competition. Letter-writing skill should be high on the list of qualifications for the modern Manager of Credit Sales.

A valuable new letter writing service is now offered to our members.

EFFECTIVE CREDIT AND COLLECTION LETTERS

Each month a release consisting of two pages of comments on letter-writing techniques and craftsmanship and four original letters dealing with collection, credit sales promotion, credit acceptance and declination and adjustment problems, will be mailed to subscribers.

The original letters will be designed to meet every imaginable credit and collection situation. The sheets will be punched for a standard ring binder. With slight adaptation, or just as they are, they will be usable by all types of business, and by large and small firms. Subscribers can build up a *letter reference library*.

Costs only \$12.00 per year

Just one new idea a month in creating more effective letter-writing appeals or in providing new and refreshing approaches to old situations will amply repay the cost.

You are cordially invited to become a member of this new National Retail Credit Association Service. **COMPLETE AND MAIL THIS COUPON TODAY.**

MAIL THIS COUPON TODAY

NATIONAL RETAIL CREDIT ASSOCIATION
375 Jackson Avenue, St. Louis 5, Missouri

Please enter my subscription to "Effective Credit and Collection Letters" for one year at the rate of \$12.00 per year.

Name _____ Firm name _____

Firm address _____

City _____ Zone _____ State _____

Check enclosed _____ Mail me a bill _____

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